# 2017 Detailed Financial Statements

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# 2017 Consolidated Financial Statements
## Detailed Financial Statements

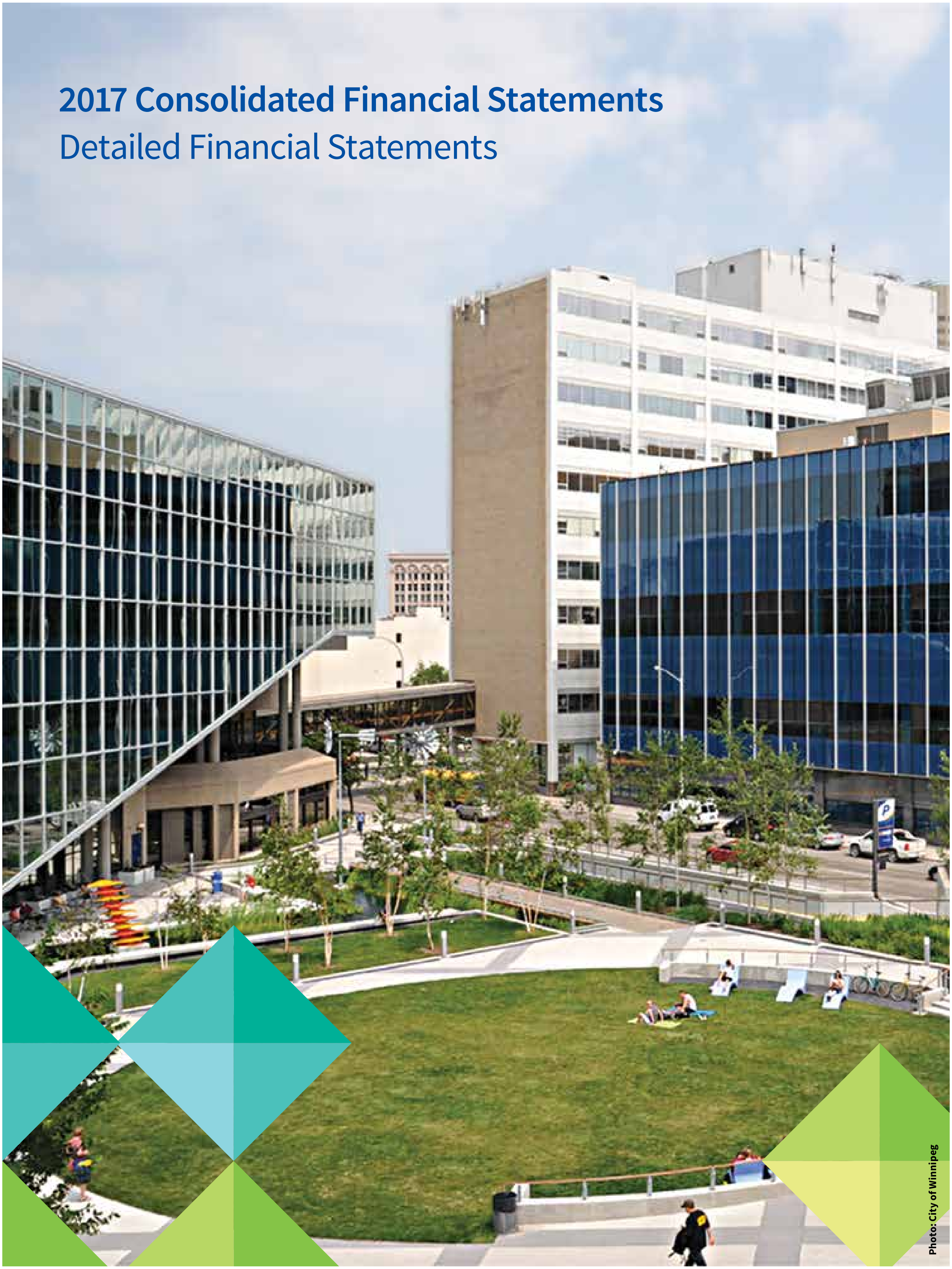


Photo: City of Winnipeg

# REPORT FROM THE CHIEF FINANCIAL OFFICER
# FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present the following Financial Statement Discussion and Analysis, prepared by management. The following discussion and analysis of the financial performance of the City of Winnipeg (the "City") should be read with the audited consolidated financial statements and their accompanying notes and schedules ("Statements"). The Statements, are prepared in accordance with Canadian public sector accounting standards for governments, established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

## Financial Reporting Model

The objective of financial statements is to describe to the user the organization's financial position, the results of its operations and the methods by which the economic resources for its various activities have been derived and consumed. The Statements provide information about the economic resources, obligations and accumulated surplus of the City. Governement financial statements are different from private sector organizations, in that they account for the unique aspects of their operations.

| | |
|---|---|
| Consolidated Statement of Financial Position | Provides information to describe a government's financial position in terms of its assets and liabilities as at the end of the reporting period. Net financial position (assets or liabilities) and accumulated surplus are important indicators to determining the government's financial well-being. |
| Consolidated Statement of Operations and Accumulated Surplus | Provides information on a government's current period operations and the related achievement of objectives for the reporting period. It also describes the change in accumulated surplus. |
| Consolidated Statement of Cash Flows | Provides information about the impact of a government's activities on its cash resources in the current period. |
| Consolidated Statement of Change in Net Financial Liabilities | Provides information regarding the extent to which expenditures made in the period are met by the revenues recognized in the current period. |

## Funds, Entities and Investment in Government Businesses

As noted above, the Statements are consolidated, meaning they reflect all resources and operations controlled by the City. These Statements include departments, special operating agencies, utility operations of the City, and entities that are controlled by the City, as well as the City's investment in government businesses. The following is a brief description of the major funds, entities and investments included in the Statements.

### Funds

A fund is used to report on resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to demonstrate its accountability of the resources allocated for the services the particular fund delivers.

The General Revenue Fund reports on tax-supported operations, which include services provided by the City such as police, fire, ambulance, library and street maintenance. The General Capital Fund exists to account for tax-supported capital projects. The tax-supported capital program is made up of, but is not limited to, reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility Waste Disposal Funds. Each utility accounts for its own operations and capital program.

There are four Special Operating Agency ("SOA") Funds included within the City's organization. Animal Services (established in 2000), Winnipeg Golf Services (2002), Fleet Management (2003) and Winnipeg Parking Authority (2005) deliver services as special operating units of the City.

The SOAs have been given the authority to provide public services, internal services, and regulatory and enforcement programs. SOA status is granted when it is in the City's interest that the service delivery model remains within the government, but it requires greater flexibility to operate in a more business-like manner. Each SOA is governed by its own operating charter, and each prepares an annual business plan for adoption by City Council.

City Council has approved the establishment of several Reserve Funds, which can be categorized into three types:

- Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt.
- Special Purpose Reserves provide designated revenue to fund the reserves' authorized costs.
- The Financial Stabilization Reserve assists in the funding of major unexpected expenses or revenue deficits reported in the General Revenue Fund.

### Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc. and CentreVenture Development Corporation. Economic Development Winnipeg Inc. is a government partnership and is proportionately consolidated. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions.

North Portage Development Corporation, Winnipeg Housing Rehabilitation Corporation, River Park South Developments Inc. and Park City Commons are included in the Statements as investments in government businesses.

## Consolidated Statement of Financial Position

Financial statements present information to describe the government's financial position at the end of the accounting period. Such information is useful to evaluate the government's ability to finance its activities and to meet its liabilities and contractual obligations, as well as the government's ability to provide future services. To this end, governments need to understand the total economic resources they have on hand to deliver services. These resources can be financial (e.g., cash, accounts receivable) and non-financial (e.g., tangible capital assets).

At the same time, in respect of services delivered, governments will have liabilities to be settled in the future that will consume the financial resources. This is measured by the government's net financial asset/liability position. This measure must be considered in tandem with accumulated surplus to determine the government's ability to deliver services in the future. A significant portion of accumulated surplus includes the investment made in tangible capital assets which, for governments, represent service delivery capacity.
As at December 31, the City reports:

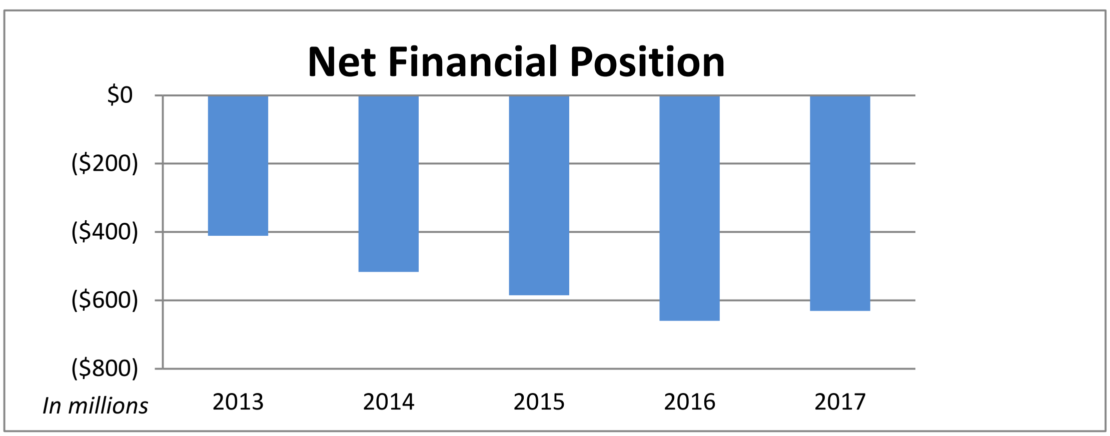
| (in thousands of dollars) | 2017 | 2016 | Variance |
|---|---|---|---|
| Cash and cash equivalents | $ 456,078 | $ 393,863 | $ 62,215 |
| Other financial assets | 657,317 | 678,592 | (21,275) |
| Financial assets | 1,113,395 | 1,072,455 | 40,940 |
| Liabilities | 1,744,181 | 1,732,923 | (11,258) |
| Net financial position | (630,786) | (660,468) | 29,682 |
| Non-financial assets | 6,666,235 | 6,445,055 | 221,180 |
| Accumulated surplus | $ 6,035,449 | $5,784,587 | $ 250,862 |

The following four sections elaborate on four key indicators in the Consolidated Statement of Financial Position - cash resources, net financial position, non-financial assets and accumulated surplus.

## Cash Resources

The cash resources of the City are its cash and cash equivalents. It includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents are held for meeting short-term obligations rather than for other purposes like investing. During 2017, the City's cash and cash equivalents increased by $62.2 million. This increase resulted primarily because cash and cash equivalents arising from operating activities exceeded that used to construct and purchase tangible capital assets.

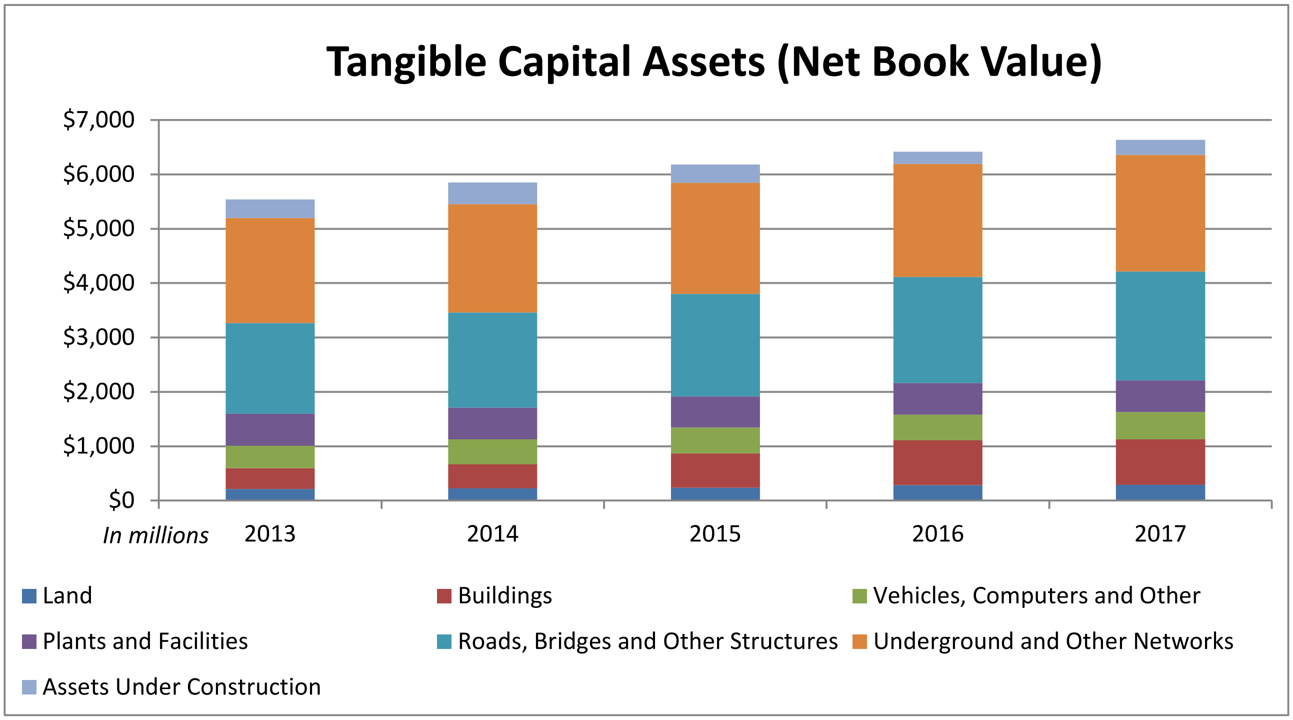
## Net Financial Position




Net financial position is the difference between financial assets and liabilities, which indicate the affordability of additional spending. As at December 31, 2017, the City was in a net financial liability position of $630.8 million (2016 - $660.5 million). The change in net financial position during the year resulted primarily from increased cash and cash equivalents.

## Non-Financial Assets

Non-financial assets of the City are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed and leased tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the most significant component of non-financial assets.




As indicated in the chart above, the City continues to invest in its infrastructure. The acquisition of tangible capital assets is the result of an approved capital budget. The challenge in creating a capital budget is balancing infrastructure needs with fiscal responsibility. On December 13, 2016, City Council adopted the 2017 annual capital budget and the 2018 to 2022 five-year forecast. The six-year plan projected $2.2 billion in City capital projects, with $432.9 million authorized in 2017. Some of the projects included in the 2017 capital budget are:

- $105.2 million for regional and local street renewal, including $13.5 million for waterway crossings and grade separation.
- $57.8 million in sewage disposal collection and treatment systems and $49.4 million in waterworks systems, including $18.5 million for water main renewals.
- $81.5 million for public transit projects including the expansion of the transit vehicle overhaul and maintenance facilities and the purchase of new transit buses.
- $20.0 million for the North District police station.
- $13.2 million for active transportation facilities, $9.0 million for parks and recreation enhancements and $7.6 million at aquatic facilities, including $2.1 million for spray pad development.
- $4.3 million for Tache Promenade.
- $2.5 million for the Transcona Library.

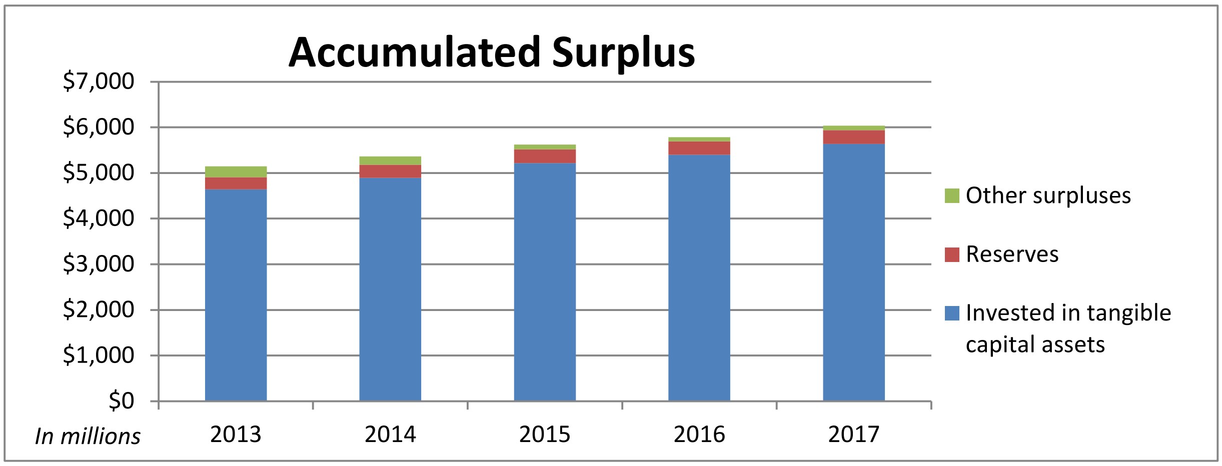
Also included in the capital investment plan over the six-year period (2017 to 2022) is anticipated funding of $431.0 million cash to capital funding, $348.5 million of anticipated provincial funding and $263.0 million under the Federal Gas Tax Agreement.

During 2017, the City acquired $475.9 million of tangible capital assets (2016 - $475.6 million), including contributed roads and underground networks totaling $95.2 million (2016 - $59.0 million). Contributed assets are capitalized at their fair value at the time they are received. Of the assets acquired, $258.2 million was for tax-supported projects (54%). Spending on tax-supported projects was most significantly on roads, a priority of City Council.

### Accumulated Surplus

Another important financial indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The accumulated surplus represents the net assets of the City, and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations or annual surplus).

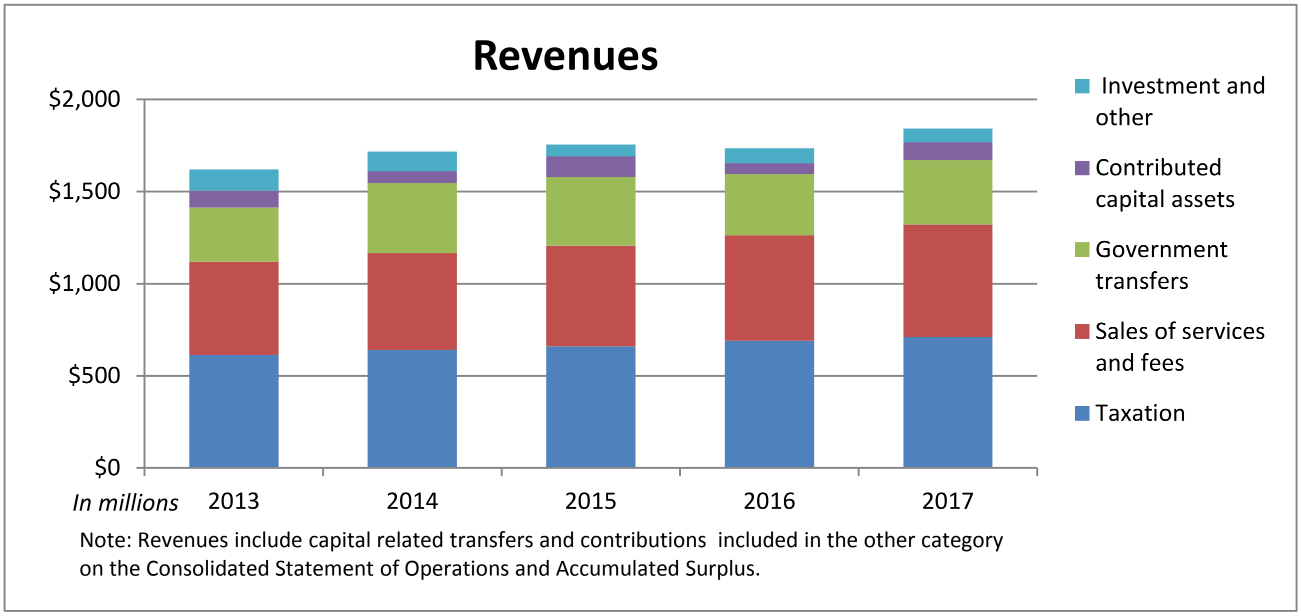
Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and landfill liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2017- 93%; 2016- 93%). Investment in tangible capital assets is a very important aspect of service delivery and is not intended or readily accessible for use in funding ongoing operations.



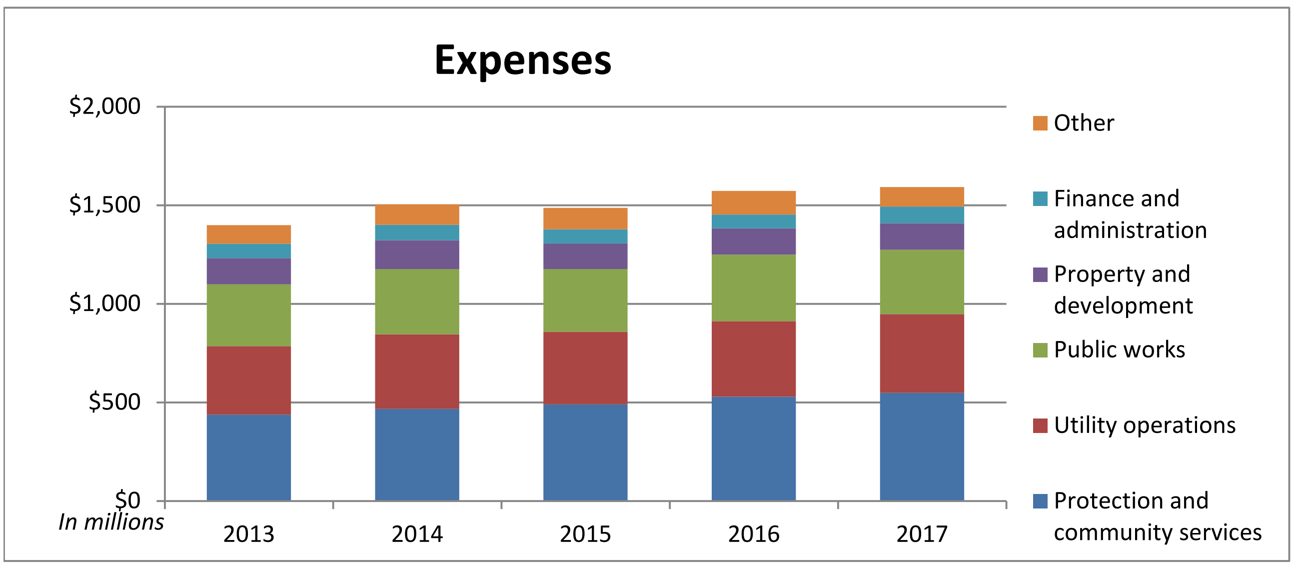

The City's accumulated surplus, through its investment in tangible capital assets, has grown over the period, indicating a strong foundation upon which services will continue to be delivered in the future.

## Consolidated Statement of Operations

Financial statements show how and where the government realizes its revenues. They provide information that is useful in gaining an understanding of a government's revenue sources and their contribution to operations. They also report the nature and purpose of a government's expenses in the period, demonstrating the allocation and consumption of resources.



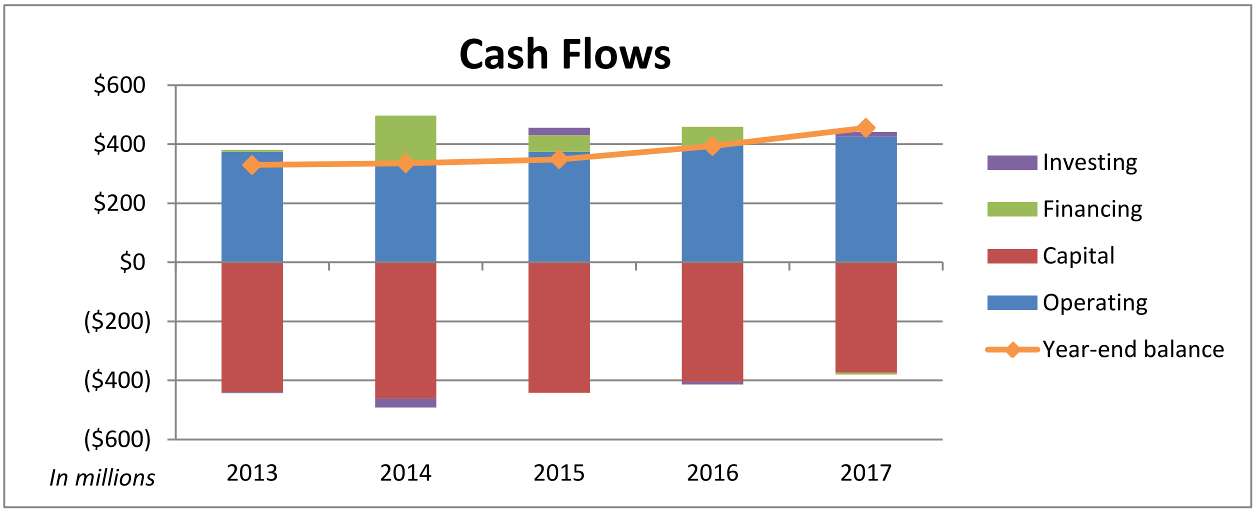

Beyond government transfers, the City has a good balance of revenue sources, with the majority coming from taxation, sales of services and regulatory fees. PSAB has defined indicators of financial condition to assist users of government financial statements to assess financial condition. Indicators of vulnerability measure a government's risk of over-dependency on sources of funding outside its control or exposure to risks that could impair its ability to meet financial and service commitments. In this regard over the five year period presented, government transfers as a percentage of total revenue have been stable, ranging from 18% to 22%.




As the table above indicates, the City's protection and community services and public works expenses have increased over the five-year period presented, indicating City Council's priorities of public safety and roads.

## Consolidated Statement of Cash Flows

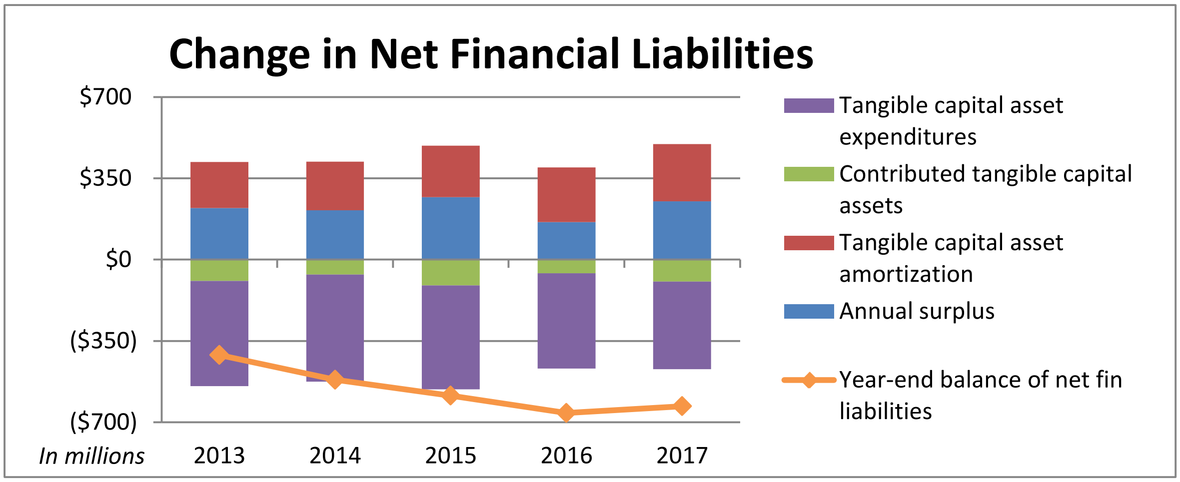
A government finances its activities and meets its obligations by generating revenues, through external borrowing and by using existing cash resources. Cash resources are generated and consumed through operating, capital, financing and investing activities.




Capital investments have been more significant over the past five years, financed largely through operations, which include capital-related government transfers and a responsible amount of debt.

## Consolidated Statement of Change in Net Financial Liabilities

As indicated earlier, net financial liabilities is an important measure for governments. Representing the difference between the government's liabilities and its financial assets readily available to satisfy those liabilities, this statement explains why this change differs from the annual surplus produced by the government.




As previously discussed, the City has been making higher investments in its infrastructure over the past five years. With the investments being made exceeding financial assets generated through operations, the City has partially financed this difference through the assumption of more debt.

Even though the City has assumed more debt in recent years, it has done so responsibly. This statement is reflected in the results of its credit rating review. In late 2017, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was: "very strong and diversified economy", "exceptional and robust liquidity position", "moderate debt burden" and "strong financial management". However, S&P noted these strengths are offset somewhat by large capital expenditure requirements that limit the otherwise strong budgetary flexibility.

Moody's Investors Service ("Moody's") announced in July 2017 it would be maintaining the City's credit rating, at Aa2, noting that the rating benefits from disciplined fiscal planning and a track record of solid operating surpluses, a diverse economy and access to stable and predictable own-source revenues. However, Moody's also noted that the rating is constrained by Winnipeg's debt burden as the City continues to invest in infrastructure. Lastly, Moody's expects the City will maintain strong debt affordability, despite forecasted higher debt levels.

These debt ratings contribute to the City's ability to access capital markets and obtaining competitive and comparable borrowing terms.

Another indicator of financial condition introduced by PSAB measures flexibility. Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. Even with the assumption of more debt, the City's interest expense-to-revenues has remained constant over the past several years at 0.03. This measure indicates the City has sufficient sources of revenue to meet its financial and service commitments. It also demonstrates the low interest rates on debt, not only reflecting the current market but also the City's strong credit rating.

## Analysis of Statements

The following analysis provides enhanced detail on the Statements.

### Accounts Receivable

The accounts receivable balance has decreased $0.3 million since the prior year. This is largely due to a decrease in the amount owed by the Province of Manitoba for funding of operating activities and a decrease in receivable from Winnipeg Regional Health Authority relating to ambulance services. These decreases are offset by increased receivables from the Province of Manitoba for funding of capital investments, related to timing of spending and claims submission to the Province.

The largest component of accounts receivable is trade accounts and other receivables at 52% (2016 - 51%). Approximately 41% (2016 - 36%) of trade accounts and other receivables result from water and sewer services. Management has determined credit risk to be low on these outstanding receivables and has provided an allowance for doubtful accounts of $400 thousand (2016 - $400 thousand).

As at December 31, 2017, property, payments-in-lieu and business tax receivables (taxes receivable), net of the estimated allowance for tax arrears, represented 16% (2016 - 16%) of total receivables. Taxation revenue is 39% (2016 - 40%) of total consolidated revenues.

Taxes Receivable
As at December 31

| (in thousands of dollars) | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Taxes receivable | $ 52,599 | $ 51,550 | $ 58,121 | $ 54,825 | $ 49,592 |
| Allowance for tax arrears | (756) | (330) | (4,255) | (6,183) | (3,694) |
| | $ 51,843 | $ 51,220 | $ 53,866 | $ 48,642 | $ 45,898 |

## Investments

Investments
As at December 31
(in thousands of dollars)

| | 2017 | 2016 |
|---|---|---|
| Marketable securities | | |
| Municipal bonds | $ 56,884 | $ 59,424 |
| Provincial bonds and bond coupons | 16,483 | 13,697 |
| Bank and trust companies | 5,011 | - |
| Government of Canada bonds | - | 15,185 |
| | 78,378 | 88,306 |
| Manitoba Hydro long-term receivable | 220,238 | 220,238 |
| Other | 7,324 | 13,646 |
| | $ 305,940 | $ 322,190 |
| Market value of marketable securities | $ 83,684 | $ 90,093 |

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments starting in 2002, which declined gradually to $16 million annually in perpetuity starting in 2011. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province, which coincides with the payments remaining at $16 million in perpetuity.

Marketable securities are generally long-term. These securities are being held to finance anticipated future costs, such as perpetual maintenance at the three cemeteries maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. The Investment Policy provides guidance and parameters for developing a portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

## Debt

Debt
As at December 31
(in thousands of dollars)

| | 2017 | 2016 |
|---|---|---|
| Sinking fund debentures | $ 767,568 | $ 797,568 |
| Equity in sinking funds | (67,468) | (65,677) |
| | 700,100 | 731,891 |
| Serial and installment debt | 9,696 | 14,544 |
| Bank loans and other | 159,075 | 124,948 |
| Capital lease obligations | 23,398 | 24,162 |
| Service concession arrangement obligations | 150,432 | 152,368 |
| | 1,042,701 | 1,047,913 |
| Unamortized premium on debt | 30,938 | 31,931 |
| | $1,073,639 | $1,079,844 |

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter, the City is required to make annual payments towards the retirement of sinking fund debt for which the City maintains two sinking funds. One of the sinking funds is managed by The Sinking Fund Trustees of the City of Winnipeg. The second fund was created as a result of revisions to The City of Winnipeg Charter. This fund has been managed by the City for sinking fund arrangements since December 31, 2002.

The City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking funds. The sinking fund contribution percentage is set at the time of debt issuance and is estimated to be sufficient to retire the debentures as they mature. The interest rate earnings assumption was set at 4% over the life of the debentures the City issued in 2016. The City has the ability to adjust this interest rate on future debenture issuance to mitigate projected surplus or deficiency positions.

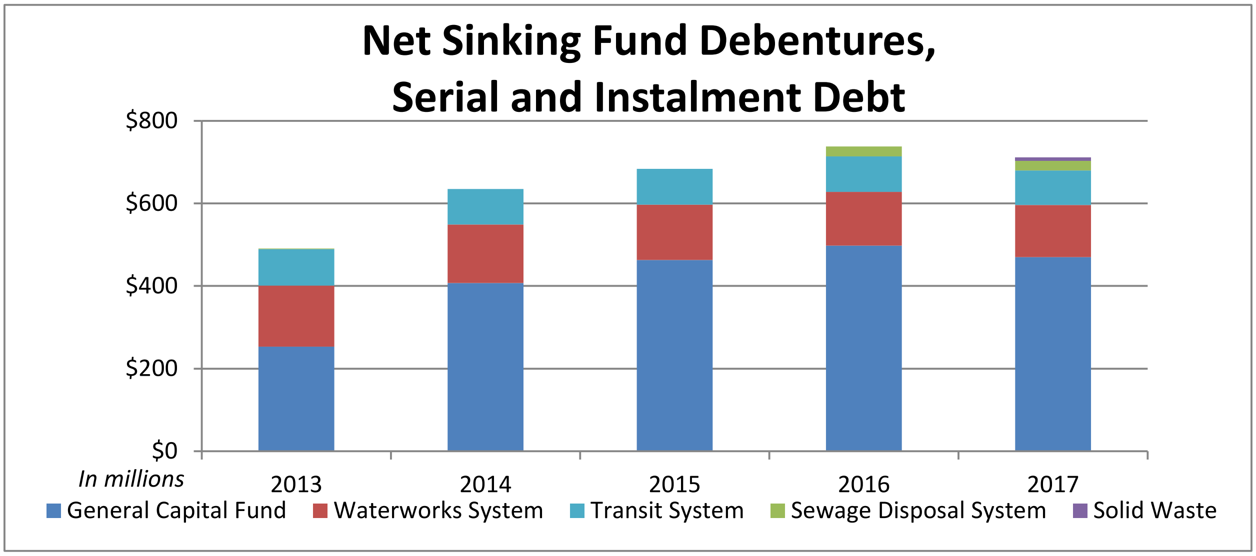
These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations. In November 2017, the remaining debt (series VU) actively managed by the Sinking Fund Trustees matured with a shortfall of $17 million due to the low interest rate environment that has persisted since the global economic crisis of 2008. The City refinanced this deficiency.

The Sinking Fund Trustees of the City of Winnipeg also manage debt related to Winnipeg Hydro, which will be fully retired by 2029. As part of the sales agreement with Manitoba Hydro, this sinking fund is required to hold Manitoba Hydro Electric Board bonds issued by Manitoba Hydro. These bonds were issued to enable the City to repay and defease the Winnipeg Hydro debt. The bonds have identical terms and conditions as to par value, interest and date of maturity as the debt has. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity. This debt has been defeased under this arrangement and accordingly, is not reported in the statements.

No additional sinking fund debentures were issued in 2017.

The City has also incurred serial and installment debt that have varying maturities up to 2019, and carry a weighted average interest rate of 4.5% (2016 - 4.5%). Annual interest and principal payments are made on the debt.

In addition, the City has entered into two service concession arrangements with respect to Chief Peguis Trail Extension and Disraeli Bridges. Taking into account the various forms of funding and financing, the effective interest rates incurred by the City are 4.6% and 5.2% for these projects, respectively.




Liquidity is an important measure of an organization's ability to readily service its debt obligations. Liquidity is measured by a debt service coverage ratio, comparing free cash and liquid assets to annual debt servicing (principal and interest). The following table presents the last five years:

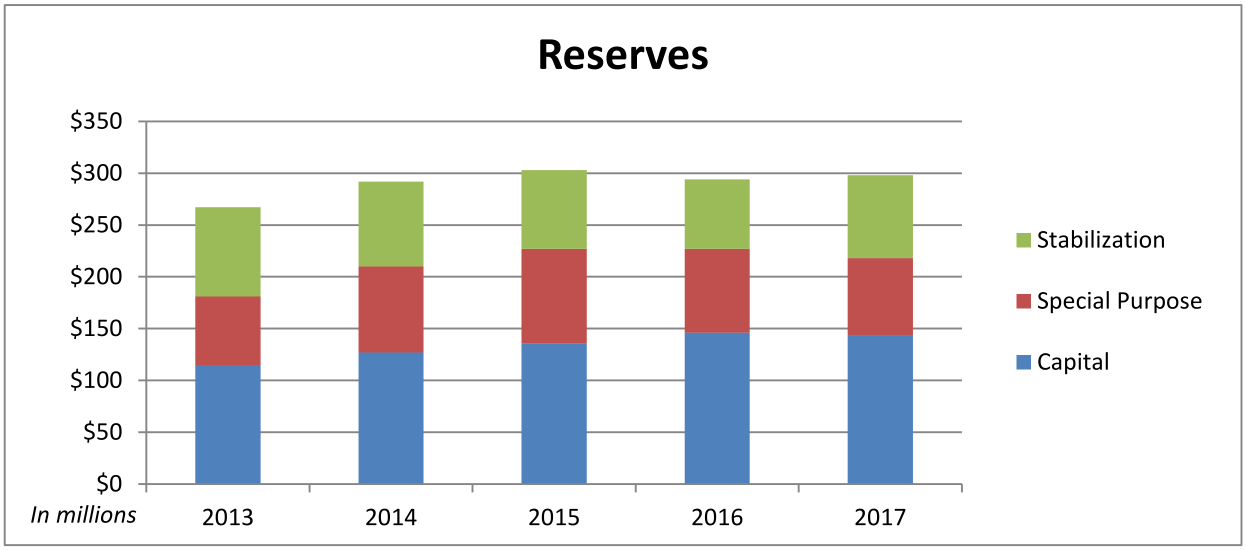
| Debt Service Coverage Ratio | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Free Cash and Liquid Assets/ Debt Service | 803.8% | 733.7% | 618.6% | 578.3% | 427.4% |

In its recent credit rating report, Standard and Poor's commented that the City maintains exceptional liquidity, which they report is expected to continue.

## Reserves

Reserve balances have increased overall by $3.2 million (2016 - $8.3 million decrease) from the prior year. The City's Financial Stabilization Reserve balance increased by $12.4 million, while the Capital Reserves and Special Purpose Reserves decreased by $2.6 million and $6.6 million respectively.

The Financial Stabilization Reserve's accumulated surplus is projected to be $15.3 million (including net interest revenue) over its targeted level of 6% of the General Revenue Fund adopted 2018 budgeted expenses due to the 2017 General Revenue Fund surplus. The City Council's adopted 2018 budget provides no transfer to the General Revenue Fund.




During 2013, a new reserve was established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund with dedicated annual 1% property tax increases over the long term. The reserve transferred $24.8 million to the General Capital Fund during 2017 to fund local street, back lane and sidewalk projects.

In the 2014 budget, a similarly dedicated 1% property tax increase was introduced to fund a new Regional Street Renewal Reserve. Approximately 80% of the traffic volume in the City occurs on 1,800 lane kilometers of regional streets. The long-term proposal, subject to annual City Council approval, is to dedicate annual 1% property tax increases to the renewal of regional streets. The reserve transferred $20.3 million to the General Capital Fund during 2017 to fund regional street projects.

## Consolidated Revenue and Expense Comparisons

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2017 on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses. The Statements include a consolidated budget, which provides additional transparency and accountability.

During 2017, the City recorded consolidated revenues of $1.843 billion (2016 - $1.735 billion), which included government transfers, developer contributions-in-kind, and other capital contributions related to the acquisition of tangible capital assets. Consolidated expenses totaled $1.592 billion (2016 - $1.573 billion).

Consolidated revenues before government transfers, developer contributions-in-kind and other capital contributions totaled $1.578 billion (2016 - $1.497 billion). As a result
other items of $14.2 million (2016 - $76.0 million). This deficit is largely a result of accruing for unfunded liabilities such as landfill liabilities and future-oriented employee benefit liabilities. These future-oriented employee benefits, such as unused vacation and sick leave, are recorded on an accrual basis but are budgeted on a pay-as-you-go basis. Similarly, amortization is recorded over the life of the tangible capital asset; however, the budget is developed to consider the cash flows associated with constructing the asset and servicing any associated debt.

| Consolidated Revenues<br>For the years ended December 31<br>(in thousands of dollars) | Budget<br>2017 | | Actual<br>2017 | | Actual<br>2016 | | Budget to<br>Actual<br>Variance | Actual to<br>Actual<br>Variance |
|---|---|---|---|---|---|---|---|---|
| Taxation | $ 714,901 | 39% | $ 712,209 | 39% | $ 691,016 | 40% | $ (2,692) | $ 21,193 |
| Sales of services and regulatory fees | 606,829 | 33% | 607,912 | 33% | 569,641 | 33% | 1,083 | 38,271 |
| Government transfers - Operating | 193,403 | 10% | 194,932 | 11% | 182,243 | 11% | 1,529 | 12,689 |
| Investment, land sales and other revenues | 51,690 | 3% | 62,614 | 3% | 53,848 | 3% | 10,924 | 8,766 |
| Revenue before Other | 1,566,823 | | 1,577,667 | | 1,496,748 | | 10,844 | 80,919 |
| Government transfers - Capital | 176,636 | 10% | 156,326 | 8% | 151,550 | 9% | (20,310) | 4,776 |
| Developer contributions-in-kind | 88,465 | 5% | 95,163 | 5% | 59,020 | 3% | 6,698 | 36,143 |
| Other capital contributions | 6,405 | 0% | 13,611 | 1% | 27,528 | 1% | 7,206 | (13,917) |
| | 271,506 | | 265,100 | | 238,098 | | (6,406) | 27,002 |
| | $1,838,329 | | $1,842,767 | | $1,734,846 | | $ 4,438 | $107,921 |

Revenues were $107.9 million higher in 2017 due to several factors. One of the major reasons was increased developer contributions-in-kind related to the turnover of these assets from developers. This also contributed to revenues coming in higher than budget.

Taxation revenues increased over the prior year by $21.2 million. Included in taxation revenues are municipal realty taxes, which increased by $23.0 million year-over-year due to assessment roll growth, and a 2.33% increase in property tax rates. The increase in property taxes is attributable to an annual 1% increase to each of the Local and Regional Street Renewal programs, and a .33% increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2).

Sales of services and regulatory fees rose over the prior year due to a $37.3 million increase reported in water and sewer sales resulting from increased rates and consumption.

The increase in government transfers - Operating is primarily the result of a new Homelessness Partnership Strategy agreement with the Government of Canada.

Decreased other capital contributions from prior year relates to less contributions received from rail authorities and other contributors.

Government transfers - Capital are less than budget relates to timing of spending on capital investments and resulting claims submission to the Province of Manitoba.

Similarly, it is difficult to predict the timing of land sales which is the primary reason that investment, land sales and other revenues exceeds budget by $10.9 million.

| Consolidated Expenses<br>For the years ended December 31<br>(in thousands of dollars) | Budget<br>2017 | | Actual<br>2017 | | Actual<br>2016 | | Budget to Actual Variance | Actual to Actual Variance |
|---|---|---|---|---|---|---|---|---|
| Protection and community services | $ 525,443 | 32% | $ 549,180 | 35% | $ 528,168 | 34% | $ (23,737) | $ 21,012 |
| Utility operations | 419,283 | 25% | 398,148 | 25% | 383,922 | 25% | 21,135 | 14,226 |
| Public works | 342,517 | 21% | 326,279 | 21% | 338,104 | 21% | 16,238 | (11,825) |
| Property and development | 147,426 | 9% | 134,863 | 8% | 131,921 | 8% | 12,563 | 2,942 |
| Finance and administration | 89,304 | 6% | 84,515 | 5% | 70,011 | 5% | 4,789 | 14,504 |
| Civic corporations | 70,466 | 4% | 71,604 | 4% | 69,847 | 4% | (1,138) | 1,757 |
| General government | 51,329 | 3% | 27,316 | 2% | 50,739 | 3% | 24,013 | (23,423) |
| | $1,645,768 | | $1,591,905 | | $1,572,712 | | $ 53,863 | $ 19,193 |

Consolidated expenses increased by $19.2 million or 1.2% from the previous year and were $53.9 million under budget, for the following reasons:

- The protection and community service expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Fire Paramedic Service department reported additional salaries and benefits expenses over the previous year, primarily due to contractual rate increases. Additional expenses for the Homelessness Partnership Strategy and the Jonathon Toews Fieldhouse increased expenses over budget and prior year.

- Utility operations were under budget mostly related to lower salaries and benefits expenses resulting from turnover and unfilled positions, and the delay in the opening of the Panet 4R Winnipeg depot. As well, additional savings in bus parts expenditures.

- The decrease in Public Works expenses compared to budget is related to decreased insect control costs and savings in salaries and benefits resulting from vacancy management. Savings in snow clearing and ice control from reduced snow fall contributed to the reduction in expenses from the previous year.

- Property and development expenses are lower than budget primarily because of a decrease in grants.

- Finance and administration costs are higher than 2016 primarily because of a higher provision for assessment appeals, due to a larger number of appeals outstanding. Additionally the provision for uncollectable taxes has increased over 2016, due to recoveries in 2016 of previously provided for balances.

- General government expenses were under budget and decreased from 2016 due to lower environmental liabilities.

Consolidated Expenses By Object
For the years ended December 31

| (in thousands of dollars) | 2017 | | 2016 | | Variance |
|---|---|---|---|---|---|
| Salaries and benefits | $ 845,087 | 53% | $ 836,857 | 53% | $ 8,230 |
| Goods and services | 412,614 | 26% | 417,643 | 27% | (5,029) |
| Amortization | 245,941 | 15% | 235,235 | 15% | 10,706 |
| Interest | 52,834 | 4% | 51,799 | 3% | 1,035 |
| Other expenses | 35,429 | 2% | 31,178 | 2% | 4,251 |
| | $ 1,591,905 | | $ 1,572,712 | | $ 19,193 |

- Increases in salaries and benefits expenses resulted primarily from contractual pay increases to employees.
- Goods and services expenses decreased largely due to decreased snow clearing and road maintenance operations.
- Amortization expense has increased due to growing inventory of tangible capital assets.

## Risks and Risk Mitigation

### Comprehensive Asset Management

The City faces a very significant infrastructure deficit to address infrastructure needs relating to the major service areas across the organization. Based on the recently published 2018 State of the Infrastructure Report, an investment of $6.9 billion is required over the next 10 years. To assist in addressing this issue, the City is using the aforementioned dedicated property taxes for local and regional roads (1% each). As well, the City has committed to comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development. Several near and long term strategies to address the deficit have been outlined in the 2018 City Asset Management Plan, which will set the stage to routinely monitor and improve asset performance and organizational sustainability. Both of these documents are approved by the CAO for all service areas and submitted to Council as information.

The asset management program helps the City to effectively invest limited resources into long-term capital plans by balancing risk, cost, and customer levels of service to ensure our assets are efficiently and properly managed. The program is meant to align investments with infrastructure priorities to deliver established levels of service in a fiscally responsible manner. In short, it allows the City to make the right investment, at the right time, the right way.

In January 2015, City Council approved an Asset Management Policy. This policy guides the City in incorporating best practices in asset management, in support of delivering services. Asset management will align the elements of governance, process and technology to deliver established levels of service at an acceptable level of risk. It is the process of thinking and carrying out business in a robust and transparent fashion. In fulfilling the policy's requirements, the following documents have been delivered:

- Asset Management Administrative Standard: This document establishes the City's approach to managing the City's physical assets.
- Investment Planning Manual: This manual provides a methodology to develop a consistent, efficient and effective process to develop Investment Plans (Capital Budget).
- Project Management Manual: This manual has been developed and is being implemented to provide consistency in project delivery in the City. It is to be used by all business units in all departments for delivery of capital projects in the City. This manual is largely based on the Project Management Body of Knowledge (PMBOK), which is generally considered to be best practices for project management in North America.
- Templates: These templates include various form documents to ensure consistency throughout the Public Service such as Business Case template and Basis of Estimate template. Templates include "how to" instructions.
- Asset Management Plans:
    - Departmental Asset Management Plan: Contains critical asset information pertaining to inventory, replacement value, condition, age and performance. Outlines tactical and financial strategies for managing assets throughout their lifecycle.
    - City Asset Management Plan (CAMP): Provides a summary of asset information, strategies and funding deficits related to the entire portfolio of new and existing infrastructure. It presents a cross-comparison of major City services and facilitates broader decision making across the organization. The plan also outlines corporate strategies and improvement initiatives focusing on people, process, technology and assets across City departments and functional teams.

- State of the Infrastructure Report: High level summary of the CAMP, it reports on 13 major infrastructure elements that the City manages in order to deliver services. The report provides a comparison of asset condition, capital budget allocations and a service area's overall contribution to the deficit based on new and existing infrastructure needs.

The following documents will be delivered as part of the Asset Management Policy's requirements:

- Strategic Asset Management Plan: This document will provide the City's commitment and approach to achieving Council's approved policy. This will be approved by the CAO and submitted to Council as information.
- Customer Levels of Service: This document, which will be approved by Council, will provide the level to which front-line infrastructure supported services will be delivered.

As well, the City has implemented processes that have created better alignment between financial planning and the City's asset management programs.

## Capital Project Management

One of the major functions of the City is the delivery on capital investments. This past year alone, the City invested $0.5 billion in tangible capital assets, rehabilitating and investing in new assets such as roads, bridges and buildings. Tangible capital assets serve as key components to service delivery.

The City understands the value derived from strong project management and has been working diligently to mitigate against capital project delivery problems associated with time, budget and scope by doing the following:

- The Public Service has been vigilant in the establishment of Major Capital Project Steering Committees to ensure project risks are being appropriately identified and addressed. As well, regular reporting to the Standing Policy Committee on Finance enhances public transparency.
- The City is transitioning to a system where all capital budget submissions require a supporting business case that can be challenged on the basis of need (level of service and risk), assumptions and recommended solutions.
- During 2014, City Council requested the external review of the Winnipeg Police Headquarters project. The review provided a series of recommendations approved by City Council. The Public Service has developed an implementation plan that includes periodic reporting to City Council, and it has made significant progress in addressing the recommendations.
- A comprehensive Project Management manual was implemented in 2014. The manual details best practice processes and procedures and defines how projects are to be delivered.
- In 2018, the City rolled out its Open Capital Projects Dashboard. The City's Open Capital Projects Dashboard is a visually engaging, interactive tool that reports on the progress of the City's open capital projects with budgets of $5 million or more. The Dashboard eliminates the complexity of analyzing a capital project's financial and non-financial information. Its schedule and cost variance matrix was custom developed to do this analysis for users.
- The Dashboard complements the Open Budget, which reports fundamental financial information of adopted budget, amended budget, and actual costs categorized by department, category and subcategory for the City's entire portfolio of almost 700 active capital projects.
- In 2018, the City began publishing a list of unfunded major capital projects. The list is meant to provide a longer term outlook of forthcoming, unfunded projects that have been identified as needed investments to sustain the City's infrastructure.
- A Capital Expenditures Monthly Report is posted to the City's website to improve transparency and accountability. A version was made available through the City's Open Data Portal early in 2016.

## Financial Management Plan

Continued sustainability is addressed in the Financial Management Plan (the "Plan") adopted by City Council on March 23, 2011. The Plan outlines the City's strategy for guiding financial decision-making, meeting long-term obligations and improving its economic position and financial stability. It sets forth guidelines upon which current and future financial performance can be measured. One of the eight targets included in the Plan is a manageable level of debt. Thus, a review of the City's forecasted net debt and debt servicing costs, including the financial implications of service concession arrangements, was conducted, and it is monitored on an ongoing basis. An update to the Financial Management Plan is presently underway.

## Debt Strategy

To help manage debt responsibly and transparently, on October 28, 2015, City Council approved an updated debt strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2017 and the forecasted peak based on the City Council-approved borrowing and the 2018 Capital Budget and Five-Year Forecast.

| Debt Metrics | Maximum | As At December 31, 2017 | Forecasted Peak |
|---|---|---|---|
| Debt as a % of revenue | | | |
| City | 90.0% | 56.6% | 84.0% |
| Tax-supported and other funds | 80.0% | 55.5% | 64.0% |
| Utilities and other | 220.0% | 41.5% | 135.4% |
| Debt-servicing as a % of revenue | | | |
| City | 11.0% | 5.1% | 9.2% |
| Tax-supported and other funds | 10.0% | 5.3% | 5.5% |
| Utilities and other | 20.0% | 3.7% | 17.2% |
| Debt per capita | | | |
| City | $2,800 | $1,415 | $2,379 |
| Tax-supported and other funds | $1,500 | $918 | $1,111 |
| Utilities and other | $1,500 | $382 | $1,232 |

Note: "City" includes "tax-supported and other funds", "Utilities and Other" and consolidated entities. "Tax-supported and other funds" includes Municipal Accommodations and Fleet Management. "Utilities and Other" includes Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal. "Forecasted Peak" does not account for the implications of consolidated accounting entries.

## Loan Guarantees

The City has unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2017 is $38.7 million (2016 - $37.6 million). Included in the outstanding balance on guaranteed loans is a $10 million guarantee related to financing provided by the Federation of Canadian Municipalities to the private Fort Rouge Yards project. The City is fully indemnified for this guarantee through an indemnity agreement with First National Financial LP.

Some of the capital projects related to guarantees are in progress at year-end, meaning that the full line of credit has not been used. The at risk amount is $46.9 million (2016 - $53.8 million). The City does not anticipate incurring future payments on these guarantees.

On September 28, 2016 Council adopted a renewed Loan Guarantee policy. The main objectives of this Policy revision were to ensure that loan guarantees are only provided to organizations that assist the City in achieving its goals while minimizing the financial risk associated with the guarantee.

Other revisions include application and standby fees, a cap on the amount of loan guarantees to non-consolidated entities and a minimum threshold for loan guarantee applications.

## Employee Benefit Programs

The City provides pension, group life insurance, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions, including the long-term rate of investment return on plan assets, inflation, salary escalation and the discount rate used to value liabilities. As well, it includes certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality. Management applies judgment in the selection of these assumptions based on past experience and on forecasts of future economic and investment conditions. As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension, sick leave and severance pay benefits expense reported in future financial statements.

## Pension Plans

The City has two major plans - The Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The Winnipeg Civic Employees' Benefits Program has similar characteristics to a defined contribution pension plan in that it is a multi-employer benefits program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure limits the City's exposure to future unfunded liabilities.

The Winnipeg Civic Employees' Benefits Program’s special-purpose reserves have been used to subsidize the cost of benefits. Since the inception of the Program, it has been recognized that these reserves would gradually diminish over time as they were drawn down, unless they were able to be replenished through actuarial surpluses generated by “excess” investment returns. In part due to the 2008 market downturn, the Program’s reserve position is currently insufficient to continue to subsidize the cost of benefits on a sustainable basis.

As a result, a multi-faceted approach was approved consisting of increased employer and employee contributions and benefit adjustments, while considering forecasted investment returns and reserve balances. Contribution rate increases of one-half per cent each year for four years were approved, starting September 1, 2011, to an average of 10% of pensionable earnings for each of the participating employers and contributing plan members. The increases in 2012 to 2014 were effective January 1st.

The future service cost of the Winnipeg Civic Employees’ Benefits Program in 2017 was 22.4% of pensionable earnings.

The Winnipeg Police Pension Plan (the "Plan") is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2017, the market value of this pension fund's assets was $1,537.6 million (2016 - $1,403.6 million), which is $98.9 million more (2016 - $84.3 million more) than the accrued pension obligation.

Based on a valuation of the Plan as at December 31, 2016, the cost of benefits accruing under this Plan in 2017 represent 26.8% of pensionable earnings, of which the employees contributed 8% of earnings. In accordance with Provincial pension legislation, the Plan's Contribution Stabilization Reserve can be used to reduce the City’s contributions to match the employees' contributions if this reserve is in excess of 5% of the Plan’s solvency liabilities. The balance in the Contribution Stabilization Reserve has been below this threshold since May 2012. Further, in accordance with the Plan provisions and the actuarial report on the valuation, 0.90% of earnings was not required to be contributed. Therefore, the City contributed the balance of the cost - that is, 17.88% of pensionable earnings.

The date of the next actuarial valuation of the Plan required to be prepared and filed with the Manitoba Office of the Superintendent - Pension Commission is December 31, 2019. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. As of the last valuation date, December 31, 2016, the plan had a solvency deficiency under this wind-up scenario.

This deficiency had to be addressed over the five years following the valuation date by the City, either through an increase in contributions starting in 2017, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively required. City Council has previously approved the letter of credit option and has obtained a letter of credit for $35.4 million as of December 31, 2017 with respect to the December 2016 valuation.

In December 2011, City Council approved a report entitled "Winnipeg Police Plan - Solvency Exemption". One of the recommendations of that report stated that in the event solvency exemption was not achieved, the City was to explore all options to reduce the significant financial impact related to solvency deficiency rules. In early 2013, the members of the Police Pension Plan voted in significant numbers to reject the election for solvency exemption. The City has engaged consulting assistance to explore options.

## Group Life Insurance Plans

The City’s group life insurance plan (“GLIP”) was established in 1975 and is comprised of two separate plans: the Civic Employees’ Group Life Insurance Plan and the Police Employees’ Group Life Insurance Plan. The GLIP historically treated its income as non-taxable since the net assets were considered to be an extension of the City's government. However, as a result of enquiries from one of the GLIP's investment managers seeking confirmation of this, the City engaged a tax professional to review the tax status of the GLIP. The review determined the GLIP may not be tax exempt. The City then voluntarily approached the Canada Revenue Agency (“CRA”) to discuss the issue. CRA informed the City that, in its view, the assets held in the two plans constitute trust funds and, therefore, the income should be considered taxable. CRA agreed to grandfather the tax-exempt status assumed by the present GLIP and, acknowledging that the City was actively working to address this issue, granted an extension until the end of December 2015.

In 2015, City Council approved by-law 80/2015 in respect of the Plans. The purpose of the by-law was to transfer the plans’ administration from the Winnipeg Civic Employees’ Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees’ Group Life Insurance Plans Corporation (“CPEGLIPCo”). The Province of Manitoba approved the establishing of the CPEGLIPCo as a municipal corporation. The benefits offered by the plans have not changed. This new structure intends to maintain the tax-exempt status of the GLIP.

Full valuations of both Plans were undertaken as at December 31, 2016, and reflected favourable financial positions. The Board of the CPEGLIPCo reviewed the results of the valuations and the Plan’s surplus policies, and approved reductions in the employer and member contribution rates effective January 2018.
The next full valuations of the Plans are expected to be as at December 31, 2019.

## Environmental Matters

The City's water distribution and treatment system is governed by a licence issued under The Drinking Water Safety Act, and the sewage treatment plants are governed by licences issued under The Environment Act.

The 2005 to 2017 capital budgets for the utilities and their 2018 to 2022 capital forecasts anticipate $890.6 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants.

In 2011 “The Save Lake Winnipeg Act” (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. In 2013, an additional licence was issued under the Environment Act, which governs combined sewers and overflow structures. With this direction, a waste-water upgrade program is underway that will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost approximately $1.4 billion, depending on market factors and interpretation of the compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, the Canada Strategic Infrastructure Fund, the Green Infrastructure Fund and accumulated surplus.

The City of Winnipeg operates one landfill, located at the Brady Road Resource Management Facility, and maintains and monitors several former landfill sites. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. The Environment Act Licence issued on April 23, 2014 provides direction on closure and post closure requirements. In estimating future landfill closure costs, management has estimated the total cost to cover, landscape and maintain the site based upon remaining life and capacity. The liability is measured on a discounted basis using the City's average, long-term borrowing rate.

The City records liabilities under Section 3260 Liability for Contaminated Sites. The City recognizes a liability for remediation of contaminated sites when conditions are identified that indicate non-compliance with environmental legislation. At December 31, 2017, the City recorded a $12.7 million (2016 - $15.1 million) liability related to contaminated sites.

## Labour Negotiations

For the year ended December 31, 2017, 53% (2016 - 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,444 (2016 - 10,426). The majority of employees are represented by the eight unions and associations as follows:

| Union/Association | Average Annual Headcount | Agreement Expiry Date |
|---|---|---|
| ATU | 1,411 | January 12, 2019 |
| CUPE | 4,654 | February 28, 2021 |
| MGEU | 359 | February 18, 2017 |
| UFFW | 950 | December 31, 2020 |
| WAPSO | 758 | December 31, 2019 |
| WFPSOA | 49 | August 31, 2021 |
| WPA | 1,958 | December 31, 2021 |
| WPSOA | 34 | December 31, 2021 |
| Other (non-union/association) | 271 | Not applicable |

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; MGEU - Manitoba Government and General Employees' Union, The Paramedics of Winnipeg, Local 911; UFFW - United Fire Fighters of Winnipeg Local 867; WAPSO - Winnipeg Association of Public Service Officers; WFPSOA - Winnipeg Fire Paramedic Senior Officers' Association; WPA - Winnipeg Police Association; and WPSOA - Winnipeg Police Senior Officers' Association

The collective agreements provide a process to revise wage and employee benefit levels through negotiations. In addition, collective bargaining disputes with certain bargaining units are resolved through compulsory arbitration at the request of either or both parties. The City benefited from negotiated Council approved collective agreements with several unions this past year.

### Corporate Risk Management Division

The City has a separate Risk Management Division reporting to the Chief Financial Officer. This division provides services designed to control and minimize the adverse financial effects of accidental or unforeseen events. Working with City departments and SOAs, this division strengthens the City's long-term financial performance through the development and provision of a solid framework of risk management and loss control techniques based on an informed balance of risk and cost. Identifying, understanding and evaluating the City's risks allows the City to measure and prioritize them, and respond with appropriate actions to manage the risk through loss prevention and reduction strategies, insurance programs and contractual transfer.

## Financial Accountability

### Audit Department

The Audit Department is classified as an independent external auditor under Government Auditing Standards due to statutory safeguards that require the City Auditor to report directly to Council, through the Audit Committee.

A key role of the Audit Department is to provide independent assurance on the performance of civic services in support of open, transparent and accountable government. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service’s accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

The department will continue to focus resources on the provision of assurance and investigation services. These services are based on periodic risk assessments, and a result of council directed projects and requests from the Public Service.

### Budget Process

Executive Policy Committee ("EPC"), the executive committee of City Council, is responsible for budget development. The budget is presented to City Council for consideration and adoption. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current-year adopted budget and five forecast years. The operating budget contains three years of budget information, including the current-year adopted budget and two projection years. The 2018 budget document includes a 2017 consolidated budget section that is prepared on the same basis as the consolidated financial statements.

## Looking Forward

### 2018 Operating and Capital Budgets

On December 12, 2017, City Council adopted both budgets for The City of Winnipeg – the 2018 capital and operating budgets. In addition, the 2019-2023 capital forecast was approved in principle and the 2019 and 2020 operating projections were received as the preliminary financial plan for those years.

The 2018 capital budget and the 2019 to 2023 five-year forecast includes $2.2 billion in City capital projects with $0.4 billion authorized in 2018. Some of the projects included in the 2018 capital budget are $116.0 million for regional and local street renewal, $31.9 million for Transit capital investment, including $28.4 million for new transit buses.

The six-year capital investment plan includes $214.1 million for the transit system; $78.5 million for public safety; $111.1 million for community services, including libraries and recreation facilities; $58.3 million for parks and open spaces; $38.1 million for land drainage and flood control; $32.4 million for active transportation facilities; and $18.7 million for the solid waste disposal system. Section 284(2) of The City of Winnipeg Charter requires that before December 31 of each fiscal year, City Council must adopt a capital budget for that year and a capital forecast for the next five fiscal years.

The 2018 operating budget continues with 1.0% tax increases for each of the Local Street Renewal and Regional Street Renewal Reserves. As well, a 0.33% property tax increase was approved for future payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway underpass project.

The 2018 budget plan decreases business tax rates from 5.25% to 5.14% and provides for the expansion of the small business tax credit program. The program provides a full municipal business tax rebate to business with a rental value of $33,300 or less (2017 - $32,220 or less), impacting 47% of Winnipeg businesses. The budget remains focused on the continuing priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the operating budget before March 31 of each fiscal year.

The City has a structural deficit in the tax-supported operating budget. In keeping taxes affordable, it has included one-time revenues and deferral of spending and maintenance costs in City budgets. The City was most recently able to balance its 2018 tax-supported operating budget in large part by reducing transfers of cash to capital from operating to capital but this is not sustainable in the long-term. Achieving financial sustainability requires a restructuring of City finances going-forward, involving difficult choices. The Public Service will support Council through this process, helping to solidify the City's financial ability to deliver service to its citizens.

The City of Winnipeg has gone through a period of growth that has impacted the City's operating and capital costs and revenues. This growth is placing pressure on public infrastructure and the need for City Council to invest in additional capacity to accommodate growth. At the same time, the condition of existing infrastructure is deteriorating. On October 26, 2016, Council passed the Impact Fee By-law that allowed for the phased-in

implementation of the impact fee. The impact fee is being phased in over a period of three years. During the initial phase, the impact fee only applies to new residential developments in New Communities and Emerging Communities as set out in OurWinnipeg. Collection of impact fees began May 1, 2017. The impact fee revenue collected has been deposited into the Impact Fee Reserve Fund and used to fund growth-related capital projects to the extent that they are approved by Council. A total of $4.1 million was collected in 2017, representing the balance in the Impact Fee Reserve Fund as at December 31, 2017.

A working group comprised of elected officials, city administrative staff, and industry and community stakeholders is being established to advise on the implementation of the impact fee over the three-year phase-in period. This working group will provide for ongoing industry and community participation, input into future impact fee rates and their manner of application. The working group will also provide input to the Chief Financial Officer concerning projects to be funded from revenue generated by the impact fee.

General Revenue Fund - Adopted Budget
For the years ended December 31

| (in thousands of dollars) | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Property tax | $ 585,584 | $ 569,316 | $ 549,345 | $ 529,168 | $ 510,569 |
| Government transfers | 133,530 | 127,789 | 123,619 | 118,290 | 113,763 |
| Street renewal frontage levy | 63,017 | 62,837 | 62,374 | 49,129 | 41,731 |
| Sale of goods and services | 54,477 | 62,796 | 63,170 | 59,008 | 64,486 |
| Business tax | 56,916 | 57,484 | 57,267 | 58,366 | 59,688 |
| Transfer from other funds | 23,969 | 41,512 | 55,203 | 45,779 | 56,787 |
| Regulation fees | 58,072 | 59,210 | 50,758 | 45,329 | 43,227 |
| Other taxation | 25,602 | 25,342 | 24,955 | 24,290 | 25,390 |
| Interest | 20,202 | 18,102 | 17,102 | 13,387 | 11,228 |
| Other | 60,719 | 55,121 | 51,337 | 51,351 | 42,315 |
| | 1,082,088 | 1,079,509 | 1,055,130 | 994,097 | 969,184 |
| Expenses | | | | | |
| Police service | 291,449 | 288,000 | 280,670 | 263,978 | 259,113 |
| Public works | 241,375 | 229,991 | 215,521 | 204,447 | 187,638 |
| Fire paramedic service | 193,457 | 199,219 | 190,274 | 178,321 | 167,801 |
| Community services | 109,946 | 114,892 | 111,408 | 118,569 | 122,838 |
| Corporate | 73,751 | 59,197 | 72,356 | 46,866 | 60,284 |
| Planning, property and development | 40,430 | 45,598 | 45,528 | 48,513 | 40,554 |
| Corporate support services | 34,811 | 35,996 | 37,254 | 34,092 | 33,038 |
| Water and waste | 22,335 | 32,293 | 30,399 | 30,923 | 31,110 |
| Assessment and taxation | 22,433 | 20,856 | 19,986 | 20,520 | 19,623 |
| City clerk's | 13,161 | 14,947 | 14,550 | 12,948 | 13,465 |
| Street lighting | 13,306 | 13,399 | 12,963 | 12,522 | 11,970 |
| Corporate finance | 9,112 | 9,073 | 9,015 | 9,130 | 9,310 |
| Other departments | 16,522 | 16,048 | 15,206 | 13,268 | 12,440 |
| | 1,082,088 | 1,079,509 | 1,055,130 | 994,097 | 969,184 |
| | $ - | $ - | $ - | $ - | $ - |

Prior year figures have not been reclassified to conform with the 2018 figures.

2017 and prior years include revenues and expenses from land drainage activities. Effective January 1, 2018 these activities are no longer part of the General Revenue Fund and are now reported as a separate utility fund.

## Accounting Pronouncements

PSAB has issued several pronouncements that may impact the City's future financial statements. The pronouncements that the City will be reviewing to determine their impact on the Statements are as follows:

- In June 2011, PSAB approved two new standards: Section 3450 Financial Instruments and Section 2601 Foreign Currency Translation. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2021. Upon adoption, the City must also adopt the related financial statement presentation changes in Section 1201 Financial Statement Presentation.
- In March 2015, PSAB issued two new standards: Section 2200 Related Party Disclosures and Section 3420 Inter-entity Transactions. The standards address recognition, measurement and disclosure of related party transactions. The new standards are effective for fiscal years beginning on or after April 1, 2017.
- Also in June 2015, PSAB issued section 3430 Restructuring Transactions. This standard addresses recognition, measurement and disclosure of restructuring transactions, including amalgamations and transfers of programs/operations. The new standard is effective for fiscal years beginning on or after April 1, 2018.
- In March 2018, PSAB issued section 3280 Asset Retirement Obligations. This standard addresses recognition, measurement and disclosure of asset retirement costs. The new standards are effective for fiscal years beginning on or after April 1, 2021.

This past year, the City early adopted PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights.

## Request for Information

The Financial Statement Discussion and Analysis and the Statements are designed to provide citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show accountability for the funding it receives. Both the Annual Financial Report and the Detailed Financial Statements Document are available on-line at www.winnipeg.ca. Questions concerning the information provided in these reports should be addressed to Paul D. Olafson, CPA, CA - Corporate Controller, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.

Michael Ruta, FCA
Chief Financial Officer
May 15, 2018

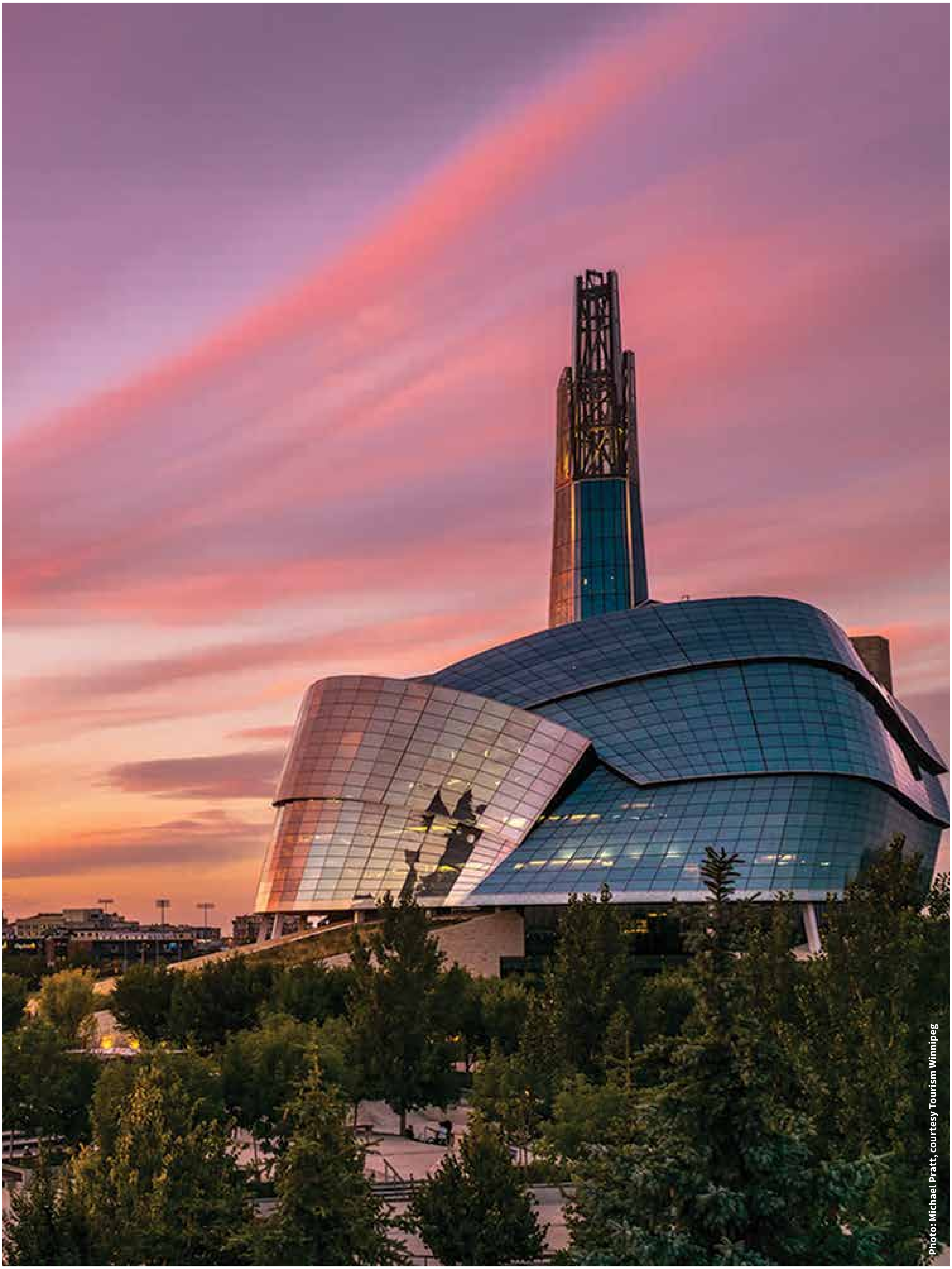


Photo: Michael Pratt, courtesy Tourism Winnipeg

# RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to City Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee. The Consolidated Financial Statements contained herein were approved by Audit Committee on May 10, 2017. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Audit Committee is readily accessible to external and internal auditors.

KPMG LLP, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of City Council and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian public sector accounting standards.

Michael Ruta, FCA
Chief Financial Officer
May 15, 2018

KPMG LLP
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Winnipeg MB
R3B 0X3

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Fax (204) 957-0808
www.kpmg.ca

# INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of City Council of The City of Winnipeg

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2017, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 15, 2018

Winnipeg, Canada

# THE CITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash and cash equivalents (Note 3) | **$ 456,078** | $ 393,863 |
| Accounts receivable (Note 4) | **320,008** | 320,321 |
| Land held for resale | **1,156** | 5,931 |
| Investments (Note 5) | **305,940** | 322,190 |
| Investment in government businesses (Note 6) | **30,213** | 30,150 |
| | **1,113,395** | 1,072,455 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities (Note 7) | **261,545** | 258,153 |
| Deferred revenue (Note 8) | **48,441** | 49,622 |
| Debt (Note 9) | **1,073,639** | 1,079,844 |
| Other liabilities (Note 10) | **138,931** | 133,462 |
| Accrued employee benefits and other (Note 11) | **221,625** | 211,842 |
| | **1,744,181** | 1,732,923 |
| ***NET FINANCIAL LIABILITIES*** | **(630,786)** | (660,468) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 13) | **6,638,195** | 6,418,998 |
| Inventories | **21,068** | 19,397 |
| Prepaid expenses and deferred charges | **6,972** | 6,660 |
| | **6,666,235** | 6,445,055 |
| ***ACCUMULATED SURPLUS (Note 14)*** | **$ 6,035,449** | $ 5,784,587 |

Commitments and contingencies (Notes 10, 15 and 16)

*See accompanying notes and schedules to the consolidated financial statements*

Approved on behalf of the Audit Committee:

**MAYOR**

**CHAIRPERSON**
**STANDING POLICY COMMITTEE**
**ON FINANCE**

# THE CITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 (Note 21) | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Taxation (Note 16) | $ 714,901 | $ 712,209 | $ 691,016 |
| Sales of services and regulatory fees (Note 17) | 606,829 | 607,912 | 569,641 |
| Government transfers (Note 18) | 193,403 | 194,932 | 182,243 |
| Land sales and other revenue (Note 19) | 23,559 | 32,128 | 27,018 |
| Investment income | 28,131 | 30,486 | 26,830 |
| Total Revenues | 1,566,823 | 1,577,667 | 1,496,748 |
| ***EXPENSES*** | | | |
| Protection and community services | 525,443 | 549,180 | 528,168 |
| Utility operations | 419,283 | 398,148 | 383,922 |
| Public works | 342,517 | 326,279 | 338,104 |
| Property and development | 147,426 | 134,863 | 131,921 |
| Finance and administration | 89,304 | 84,515 | 70,011 |
| Civic corporations | 70,466 | 71,604 | 69,847 |
| General government | 51,329 | 27,316 | 50,739 |
| Total Expenses (Note 20) | 1,645,768 | 1,591,905 | 1,572,712 |
| Annual Deficit Before Other | (78,945) | (14,238) | (75,964) |
| ***OTHER*** | | | |
| Government transfers related to capital (Note 18) | 176,636 | 156,326 | 151,550 |
| Developer contributions-in-kind related to capital (Note 13) | 88,465 | 95,163 | 59,020 |
| Other capital contributions | 6,405 | 13,611 | 27,528 |
| | 271,506 | 265,100 | 238,098 |
| Annual Surplus | $ 192,561 | 250,862 | 162,134 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | 5,784,587 | 5,622,453 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | $ 6,035,449 | $ 5,784,587 |

*See accompanying notes and schedules to the consolidated financial statements*

# THE CITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Annual surplus | **$ 250,862** | $ 162,134 |
| Add (deduct) items not impacting cash and cash equivalents | | |
| Amortization of tangible capital assets | **245,941** | 235,235 |
| Developer contributions-in-kind related to capital | **(95,163)** | (59,020) |
| Change in other liabilities and employee benefits | **15,252** | 57,119 |
| Gain on sale of tangible capital assets | **(405)** | (1,630) |
| Other | **(63)** | (15) |
| | **416,424** | 393,823 |
| Net change in non-cash working capital balances related to operations | **9,754** | 2,156 |
| Cash provided by operating activities | **426,178** | 395,979 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(377,099)** | (409,121) |
| Proceeds on disposal of tangible capital assets | **3,091** | 3,931 |
| Cash used in capital activities | **(374,008)** | (405,190) |
| ***FINANCING*** | | |
| Increase (decrease) in bank loans and other debt | **34,127** | (8,167) |
| Debenture and serial debt retired | **(34,848)** | (4,848) |
| Increase in sinking fund investments | **(1,791)** | (12,561) |
| Sinking fund and serial debenture issued | **-** | 80,000 |
| Other | **(3,693)** | 8,643 |
| Cash (used in) provided by financing activities | **(6,205)** | 63,067 |
| ***INVESTING*** | | |
| (Increase) decrease in investments | **16,250** | (8,988) |
| Cash (used in) provided by investing activities | **16,250** | (8,988) |
| Increase in cash and cash equivalents | **62,215** | 44,868 |
| ***CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR*** | **393,863** | 348,995 |
| ***CASH AND CASH EQUIVALENTS, END OF YEAR*** | **$ 456,078** | $ 393,863 |

*See accompanying notes and schedules to the consolidated financial statements*

# THE CITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 (Note 21) | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***ANNUAL SURPLUS*** | **$ 192,561** | **$ 250,862** | $ 162,134 |
| Amortization of tangible capital assets | **246,784** | **245,941** | 235,235 |
| Proceeds on disposal of tangible capital assets | **5,340** | **3,091** | 3,931 |
| (Gain) loss on disposal of tangible capital assets | **1,682** | **(405)** | (1,630) |
| Change in inventories, prepaid expenses and deferred charges | **(1,021)** | **2,455** | (7,199) |
| Tangible capital assets received as contributions (Note 13) | **(88,465)** | **(95,163)** | (59,020) |
| Acquisition of tangible capital assets | **(536,134)** | **(377,099)** | (409,121) |
| ***DECREASE (INCREASE) IN*** **NET FINANCIAL LIABILITIES** | **(179,253)** | **29,682** | (75,670) |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | **(660,468)** | **(660,468)** | (584,798) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (839,721)** | **$ (630,786)** | $ (660,468) |

*See accompanying notes and schedules to the consolidated financial statements*

## *1. Status of The City of Winnipeg*

The City of Winnipeg (the "City") is a municipality that was created on January 1, 1972 pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has designated reserves and provides funding support for other entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

## *2. Significant Accounting Policies*

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

### a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control by the City except for the City's government businesses. Inter-fund and inter-corporate balances and transactions have been eliminated.

#### i) Consolidated entities

The organizations included in the consolidated financial statements are as follows:

Assiniboine Park Conservancy Inc.
CentreVenture Development Corporation
The Convention Centre Corporation
Winnipeg Arts Council Inc.
Winnipeg Enterprises Corporation
Winnipeg Public Library Board

#### ii) Government partnerships

Economic Development Winnipeg Inc. is reported as a government partnership with the proportionate consolidation method being used. Accordingly, fifty percent of the assets, liabilities, revenues and expenses have been included.

#### iii) Government businesses

The investments in North Portage Development Corporation, River Park South Developments Inc. and Park City Commons are reported as government business partnerships and Winnipeg Housing Rehabilitation Corporation as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the City and inter-corporate transactions are not eliminated (Note 6).

## 2. *Significant Accounting Policies (continued)*

### iv) Employees' pension funds

The employees' pension funds of the City are administered on behalf of the pension plans' participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (the "EBB") (Pension Fund) for the payment of pension benefits and accordingly are not included in the consolidated financial statements.

### v) Group life insurance funds

The group life insurance funds of the City are administered on behalf of group life insurance plans' participants by the Civic and Police Employees' Group Life Insurance Plans Corporation for the payment of life insurance benefits and accordingly are not included in the consolidated financial statements.

### b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### c) Cash equivalents

Cash equivalents consist of crown corporation bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, and bankers' acceptances; schedule 2 bankers' acceptances; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

### d) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

### e) Investments

Bonds are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

### f) Unamortized premium on debt

Debt is reported at face value and is adjusted by premiums which are amortized on a straight-line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as interest expense.

### g) Solid waste landfills

The obligation to close and maintain solid waste landfill sites is based on the present value of estimated future expenses, adjusted for estimated inflation, and is charged to expenses as the landfill site's capacity is used.

## 2. *Significant Accounting Policies (continued)*

### h) Contaminated sites

The City recognizes a liability for remediation of contaminated sites when conditions are identified which indicate non-compliance with environmental legislation. The liability reflects the City's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date.

Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred.

### i) Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### j) Employee benefit plans

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other pensions and other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

In the case of the Winnipeg Police Pension Plan, this plan's by-law provides that, in the event of a funding surplus or deficiency, within certain prescribed constraints, the contribution stabilization reserve will be utilized and amendments made to the rate of cost-of-living adjustments to pensions according to specific rules set out in the by-law. Consequently, actuarial gains and losses are recognized immediately to the extent that they are offset by changes in the contribution stabilization reserve and changes in the plan's accrued benefit obligation for future cost-of-living adjustments to pensions.

### k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial liabilities for the year.

#### i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 10 to 50 years |
| Vehicles | |
| Transit buses | 18 years |
| Other vehicles | 5 to 10 years |
| Computer hardware and software | 5 to 10 years |

| | |
|---|---|
| Other | |
| Machinery and equipment | 5 to 40 years |
| Land improvements | 10 to 100 years |
| Water and waste plants and facilities | |
| Underground networks | 50 to 100 years |
| Sewage treatment plants and lift stations | 50 to 75 years |
| Water pumping stations and reservoirs | 50 to 75 years |
| Flood stations and other infrastructure | 20 to 75 years |
| Transportation | |
| Roads | 10 to 50 years |
| Bridges and other structures | 25 to 75 years |

Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1.25% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by the City.

Works of art and historical treasures are not recorded as tangible capital assets.

**a) Contributions of tangible capital assets**

Developer-contributed tangible capital assets are recorded at their fair value at the date of receipt. The contribution is recorded as revenue.

**b) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**c) Service concession arrangements**

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

**ii) Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**l) Tax revenues**

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

## 2. *Significant Accounting Policies (continued)*

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the assets, liabilities, revenues and expenses, with respect to the operations of the school boards.

Property taxation revenue is based on market assessments that are subject to appeal. Therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made for property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

### m) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the consolidated financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City’s behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

### n) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions in such areas as employee benefits, the useful life of tangible capital assets, assessment appeals, lawsuits and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

### o) Budget

The 2017 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actual results presented herein.

### p) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the City for the fiscal year beginning January 1, 2018. As permitted in the standards, the City adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements (Note 24).

### 3. *Cash and Cash Equivalents*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash | **$** | **32,596** | $ | 5,869 |
| Cash equivalents | | **423,482** | | 387,994 |
| | **$** | **456,078** | $ | 393,863 |

The average effective interest rate for cash equivalents at December 31, 2017 is 1.31% (2016 - 0.91%).

Cash and cash equivalents exclude $226.6 million (2016 - $118.4 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $30.5 million (2016 - $27.5 million).

### 4. *Accounts Receivable*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Property, payments-in-lieu and business taxes receivable | **$** | **52,599** | $ | 51,550 |
| Allowance for property, payments-in-lieu and business taxes receivable | | **(756)** | | (330) |
| | | **51,843** | | 51,220 |
| Trade accounts and other receivables | | **165,455** | | 162,465 |
| Province of Manitoba | | **101,111** | | 103,433 |
| Government of Canada | | **24,572** | | 20,657 |
| Allowance for doubtful accounts | | **(22,973)** | | (17,454) |
| | | **268,165** | | 269,101 |
| | **$** | **320,008** | $ | 320,321 |

### 5. *Investments*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Marketable securities | | | | |
| Municipal bonds | **$** | **56,884** | $ | 59,424 |
| Provincial bonds and bond coupons | | **16,483** | | 13,697 |
| Bank and trust companies | | **5,011** | | - |
| Government of Canada Bonds | | **-** | | 15,185 |
| | | **78,378** | | 88,306 |
| Manitoba Hydro long-term receivable | | **220,238** | | 220,238 |
| Other | | **7,324** | | 13,646 |
| | **$** | **305,940** | $ | 322,190 |

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2017 is $83.7 million (2016 - $90.1 million) and their maturity dates range from 2018 to 2053.

## 5. *Investments (continued)*

b) Manitoba Hydro long-term receivable

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six through nine; and $16 million per annum for years ten and continuing in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City, discounted at the City's historical average long-term borrowing rate.

## 6. *Investment in Government Businesses*

### a) North Portage Development Corporation

North Portage Development Corporation (the "NPDC") is a government business partnership that is jointly controlled by the Government of Canada, the Province of Manitoba and The City of Winnipeg. The mission of NPDC is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. NPDC is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The condensed supplementary financial information of NPDC is disclosed in schedule 1.

### b) River Park South Developments Inc.

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

The condensed supplementary financial information of River Park South Developments Inc. is disclosed in schedule 1.

### c) Winnipeg Housing Rehabilitation Corporation

Winnipeg Housing Rehabilitation Corporation (the "WHRC") is a non-profit developer and manager of affordable housing in Winnipeg. WHRC was founded by the City. Pursuant to operating agreements, WHRC receives subsidies from Canada Mortgage and Housing Corporation and Manitoba Housing.

The condensed supplementary financial information of WHRC is disclosed in schedule 1.

During the year, the City paid WHRC an operating grant of $180 thousand (2016 - $180 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2016 - $2.0 million). As at March 31, 2017, WHRC has utilized $1.3 million of this line of credit (2016 - $341 thousand).

## 6. *Investment in Government Businesses (continued)*

### d) Park City Commons

On February 17, 2016 the City and EdgeCorp Developments Ltd. entered into an agreement to form Park City Commons joint venture to develop and sell certain land owned by the participants in the community of Transcona.

The condensed supplementary financial information of Park City Commons is disclosed in schedule 1.

**Summary of investment in government businesses**

| | **2017** | 2016 |
|---|---|---|
| North Portage Development Corporation (1/3 share) | **$ 18,975** | $ 18,852 |
| River Park South Developments Inc. (1/2 share) | **1,231** | 3,799 |
| Winnipeg Housing Rehabilitation Corporation | **6,632** | 6,374 |
| Park City Commons (1/2 share) | **3,375** | 1,125 |
| | **$ 30,213** | $ 30,150 |

**Summary of results of operations**

| | **2017** | 2016 |
|---|---|---|
| North Portage Development Corporation (1/3 share) | **$ 124** | $ (137) |
| River Park South Developments Inc. (1/2 share) | **1,431** | 2,964 |
| Winnipeg Housing Rehabilitation Corporation | **258** | 567 |
| | **$ 1,813** | $ 3,394 |

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue.

## 7. *Accounts Payable and Accrued Liabilities*

| | **2017** | 2016 |
|---|---|---|
| Accrued liabilities | **$ 142,000** | $ 135,644 |
| Trade accounts payable | **113,203** | 115,688 |
| Accrued interest payable | **6,342** | 6,821 |
| | **$ 261,545** | $ 258,153 |

## 8. *Deferred Revenue*

| | **2017** | 2016 |
|---|---|---|
| Federal gas tax transfer | **$ 20,539** | $ 17,043 |
| Province of Manitoba | **9,670** | 9,594 |
| Prepayment for services | **18,232** | 22,985 |
| | **$ 48,441** | $ 49,622 |

## 9. *Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | **2017** | 2016 |
|---|---|---|---|---|---|---|
| 1997-2017 | Nov. 17 | 6.250 | VU | 7000/97 | **$ -** | $ 30,000 |
| 2006-2036 | July 17 | 5.200 | VZ | 183/04 and 72/06 | **60,000** | 60,000 |
| 2008-2036 | July 17 | 5.200 | VZ | 72/06B and 32/07 | **100,000** | 100,000 |
| 2010-2041 | June 3 | 5.150 | WB | 183/08 | **60,000** | 60,000 |
| 2011-2051 | Nov. 15 | 4.300 | WC | 72/06, 183/08 and 150/09 | **50,000** | 50,000 |
| 2012-2051 | Nov. 15 | 3.853 | WC | 93/11 | **50,000** | 50,000 |
| 2012-2051 | Nov. 15 | 3.759 | WC | 120/09, 93/11 and 138/11 | **75,000** | 75,000 |
| 2013-2051 | Nov. 15 | 4.391 | WC | 93/11 and 84/13 | **60,000** | 60,000 |
| 2014-2045 | June 1 | 4.100 | WD | 144/11, 23/13 and 149/13 | **60,000** | 60,000 |
| 2014-2045 | June 1 | 3.713 | WD | 100/12, 23/13 and 149/13 | **60,000** | 60,000 |
| 2014-2051 | Nov. 15 | 3.893 | WC | 93/11 and 145/13 | **52,568** | 52,568 |
| 2015-2045 | June 1 | 3.828 | WD | 144/11, 100/12, 23/13, 149/13, 5/15 and 61/15 | **60,000** | 60,000 |
| 2016-2045 | June 1 | 3.303 | WD | 72/06, 23/13, 149/13, 5/15, 96/15 and 40/16 | **80,000** | 80,000 |
| | | | | | **767,568** | 797,568 |
| Equity in The Sinking Funds (Notes 9a and b) | | | | | **(67,468)** | (65,677) |
| Net sinking fund debentures outstanding | | | | | **700,100** | 731,891 |

## 9. *Debt (continued)*

**Other debt outstanding**

| | 2017 | 2016 |
|---|---|---|
| Serial and instalment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2016 - 4.50%) | **9,696** | 14,544 |
| Bank loans and other with varying maturities up to 2046 and a weighted average interest rate of 2.90% (2016 - 3.19%) | **159,075** | 124,948 |
| Obligations for leased tangible capital assets (Note 9c) | **23,398** | 24,162 |
| Service concession arrangement obligations (Notes 9d and 15d) | **150,432** | 152,368 |
| | **1,042,701** | 1,047,913 |
| Unamortized premium on debt (Note 9e) | **30,938** | 31,931 |
| | **$ 1,073,639** | $ 1,079,844 |

Debt segregated by fund/organization:

| | **2017** | 2016 |
|---|---|---|
| General Capital Fund | **$ 708,855** | $ 712,560 |
| Waterworks System | **125,847** | 130,217 |
| Transit System | **105,222** | 88,531 |
| Consolidated entities | **38,549** | 38,741 |
| Fleet Special Operating Agency | **30,817** | 29,834 |
| Solid Waste Disposal | **29,162** | 31,400 |
| Sewage Disposal | **23,875** | 24,351 |
| Other | **11,312** | 24,210 |
| | **$ 1,073,639** | $ 1,079,844 |

Debt to be retired over the next five years:

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ - | $ 767,568 |
| Other debt | 31,800 | 28,126 | 32,428 | 13,682 | 12,449 | 224,116 |
| | $ 31,800 | $ 28,126 | $ 32,428 | $ 13,682 | $ 12,449 | $ 991,684 |

a) As at December 31, 2017, sinking fund assets have a market value of $108.5 million (2016 - $101.8 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $26.0 million (2016 - $32.4 million) and a market value of $28.8 million (2016 - $33.7 million).

## 9. *Debt (continued)*

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. At the end of 2017, all outstanding debt that required annual payments by the City to the Sinking Fund Trustees have matured. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The City is currently paying between 1 to 3% on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Future minimum lease payments together with the balance of the obligation for leased tangible capital assets are as follows:

| | | |
|---|---|---|
| 2018 | $ | 2,553 |
| 2019 | | 2,563 |
| 2020 | | 2,680 |
| 2021 | | 2,794 |
| 2022 | | 2,930 |
| Thereafter | | 24,059 |
| Total future minimum lease payments | | 37,579 |
| Amount representing interest at a weighted average rate of 8.18% | | (14,181) |
| Capital lease obligations | $ | 23,398 |

d) Service concession arrangement obligations are as follows:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| DBF2 Limited Partnership - Chief Peguis Trail Extension | **$** | **46,881** | $ | 47,509 |
| Plenary Roads Winnipeg GP - Disraeli Bridges | | **103,551** | | 104,859 |
| | **$** | **150,432** | $ | 152,368 |

Chief Peguis Trail Extension

The City has entered into a fixed-price contract with DBF2 Limited Partnership (“DBF2”) to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The $107.7 million project has been financed through a grant of $23.9 million from PPP Canada Inc., a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.1 million. As at December 31, 2017, $107.4 million was capitalized (Note 13). Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $107.7 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make a monthly performance-based maintenance payment to DBF2 as disclosed in Note 15d.

### *9. Debt (continued)*

Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP ("PRW") to design, build, finance and maintain the Disraeli Bridges. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges were commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge following in 2013.

The $195.0 million project has been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and net cash consideration paid by the City of $10.6 million. As at December 31, 2017, $195.0 million was capitalized for commissioned works (Note 13). Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

The City will also make a monthly performance-based maintenance payment to PRW as disclosed in Note 15d.

e) Included in the Consolidated Statement of Financial Position are investments of $33.3 million (2016 - $30.5 million) that will be used for making semi-annual debt service payments on the sinking fund debentures issued with a premium.

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2017 is $52.8 million (2016 - $51.8 million) and cash paid for interest during the year is $53.3 million (2016 - $51.8 million).

g) On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. As part of the purchase agreement The City of Winnipeg Sinking Fund Trustee's are required to hold Manitoba Hydro Electric Bonds issued by Manitoba Hydro to the City of Winnipeg in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity. This debt has been defeased under this arrangement, and accordingly, is not reported in the Consolidated Statement of Financial Position. The book value of this debt as at December 31, 2017 is $60.0 million (2016 - $80.0 million).

## 10. *Other Liabilities*

| | 2017 | 2016 |
|---|---|---|
| Expropriation | **$ 59,419** | $ 54,273 |
| Landfill | **48,717** | 49,054 |
| Contaminated sites | **12,656** | 15,050 |
| Veolia agreement (Note 15e) | **9,383** | 7,273 |
| Developer deposits and other | **8,756** | 7,812 |
| | **$ 138,931** | $ 133,462 |

Included in landfill liabilities is the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for future closure and post-closure care activities discounted at the City's average, long-term, borrowing rate of 4.5% (2016 - 4.5%).

Landfill closure and post-closure care requirements have been defined in accordance with The Environment Act and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 108-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 91% (2016 - 92%) of its total capacity and its remaining life is approximately 108 years (2016 - 108 years) after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2017, the reserve had a balance of $7.4 million (2016 - $6.6 million). This reserve was closed effective January 1, 2018 with the funds in this reserve being transferred to a new reserve, the Landfill Rehabilitation Reserve. The purpose of this reserve is to provide funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for all active and closed landfills maintained under the responsibility of the City.

## 11. *Accrued Employee Benefits and Other*

| | 2017 | 2016 |
|---|---|---|
| Retirement allowance - accrued obligation | **$ 86,138** | $ 93,983 |
| Unamortized net actuarial gain (loss) | **2,527** | (3,927) |
| Retirement allowance - accrued liability | **88,665** | 90,056 |
| Vacation | **58,304** | 55,805 |
| Workers' compensation | **48,109** | 43,242 |
| Compensated absences | **20,197** | 16,833 |
| Other | **6,350** | 5,906 |
| | **$ 221,625** | $ 211,842 |

### *11. Accrued Employee Benefits and Other (continued)*

Under the retirement allowance programs, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). In addition, adjustments arising from plan amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 15.7 years (2016 - 15.3 years), which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year the actuarial gains or losses occur.

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation of the obligation was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

Information about the City's retirement allowance benefit plan is as follows:

| | **2017** | 2016 |
|---|---|---|
| Retirement allowance - accrued liability | | |
| Balance, beginning of year | **$ 90,056** | $ 90,143 |
| Current service cost | **5,359** | 5,321 |
| Interest cost | **2,848** | 2,716 |
| Amortization of net actuarial loss | **543** | 930 |
| Plan amendment | **(94)** | - |
| Benefit payments | **(10,047)** | (9,054) |
| Balance, end of year | **$ 88,665** | $ 90,056 |

Retirement allowance expense consists of the following:

| | **2017** | 2016 |
|---|---|---|
| Current service cost | **$ 5,359** | $ 5,321 |
| Interest cost | **2,848** | 2,716 |
| Amortization of net actuarial loss | **543** | 930 |
| Plan amendment | **(94)** | - |
| | **$ 8,656** | $ 8,967 |

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Discount rate on liability | **3.00%** | 3.00% |
| General increases in pay | **2.50 - 3.00%** | 2.50 - 3.00% |

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

## 12. *Pension Costs and Obligations*

### a) Winnipeg Civic Employees' Benefits Program

The Winnipeg Civic Employees' Benefits Program (the "Benefits Program") is a multi-employer benefit program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. Accordingly, the Benefits Program is accounted for similar to a defined contribution benefits program. The Benefits Program provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers.

Members' contribution rates were 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2017, and for future years, consistent with 2016. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2016, which indicated an excess of actuarial value of program assets over actuarial liabilities of $200.7 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

The balance of the City Account at December 31, 2017 was $3.8 million (2016 - $15.6 million).

Total contributions by the City to the Benefits Program in 2017 were $37.1 million (2016 - $34.4 million), which were expensed as incurred.

### b) Winnipeg Police Pension Plan

The Winnipeg Police Pension Plan (the "Plan") is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the Plan’s benefits other than cost-of-living adjustments and to contribute 2% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City’s contribution rate at 8% of pensionable earnings, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve. Thereafter, actuarial surpluses are shared equally between the City and Plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustments to pensions.

An actuarial funding valuation of the Plan was prepared as of December 31, 2016. The valuation revealed a funding surplus, which, in accordance with the terms of the Plan, was resolved by an increase in the contribution stabilization reserve and by increasing the rate of cost-of-living adjustments to pensions from 39.5% to 46.7% of the inflation rate.

## 12. Pension Costs and Obligations (continued)

An actuarial valuation of the Plan as of December 31, 2017 is to be prepared and filed with the Office of the Superintendent - Pension Commission. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. As of the date of the last valuation of the Plan that was filed with the Office of the Superintendent - Pension Commission, December 31, 2016, the actuarial valuation showed that the Plan has a solvency deficiency at December 31, 2016 under this wind-up scenario, which needs to be addressed by the City over a period not to exceed five years either by an increase in contributions starting in 2017, or by obtaining a yearly renewable letter of credit with face value equal to the value of additional contributions with interest cumulatively otherwise required.

City Council has previously secured the letter of credit option and has obtained a letter of credit with respect to the December 2016 valuation.

The results of the December 31, 2016 actuarial valuation of the Plan were extrapolated to December 31, 2017. In accordance with the terms of the Plan, extrapolated surpluses and deficiencies are resolved through transfers to and from the contribution stabilization reserve and increases or reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 5.25% per year (2016 - 5.50%); inflation rate of 2.00% per year (2016 - 2.00%); and general pay increases of 3.25% per year (2016 - 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services.

Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

| | **2017** | 2016 |
|---|---|---|
| Plan assets: | | |
| Fair value, beginning of year | **$ 1,403,598** | $ 1,300,291 |
| Employer contributions | **28,288** | 28,655 |
| Employee contributions and transfers | **13,524** | 13,402 |
| Benefits and expenses paid | **(51,173)** | (49,874) |
| Net investment income | **143,405** | 111,124 |
| Fair value, end of year | **1,537,642** | 1,403,598 |
| Actuarial adjustment | **(98,854)** | (84,301) |
| Actuarial value, end of year | **$ 1,438,788** | $ 1,319,297 |
| Accrued pension obligation: | | |
| Beginning of year | **$ 1,299,066** | $ 1,218,904 |
| Interest on accrued pension obligation | **71,229** | 66,842 |
| Current period benefit cost | **43,188** | 42,689 |
| Actuarial loss | **51,311** | 20,505 |
| Benefits and expenses paid | **(51,173)** | (49,874) |
| End of year | **$ 1,413,621** | $ 1,299,066 |
| Funded status | **$ 25,167** | **$** 20,231 |
| Less: city account | **(274)** | (62) |
| Less: contribution stabilization reserve | **(24,893)** | (20,169) |
| Actuarial surplus | **$ -** | **$ -** |

### *12. Pension Costs and Obligations (continued)*

| | **2017** | 2016 |
|---|---|---|
| Expenses related to pensions: | | |
| Current period benefit cost | **$ 43,188** | $ 42,689 |
| Amortization of actuarial gains | **(301)** | (649) |
| Less: employee contributions and transfers | **(13,524)** | (13,402) |
| Pension benefit expense | **29,363** | 28,638 |
| Interest on accrued benefit obligation | **71,229** | 66,842 |
| Expected return on plan assets | **(72,304)** | (66,825) |
| Pension interest expense (income) | **(1,075)** | 17 |
| Total expenses related to pensions | **$ 28,288** | $ 28,655 |

The actuarial value of the Plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return.

Total contributions made by the City to the Plan in 2017 were $28.3 million (2016 - $28.7 million). Total employee contributions to the Plan in 2017 were $12.8 million (2016 - $13.4 million). Benefits paid from the Plan in 2017 were $50.2 million (2016 - $49.9 million).

The expected rate of return on Plan assets in 2017 was 5.50% (2016 - 5.50%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2017 was 10.25% (2016 - 8.57%).

As the City's contributions to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Consolidated Statement of Financial Position. As noted above, the Plan provides that within certain prescribed constraints, in the event of a funding deficiency, a transfer from the contribution stabilization reserve and amendments to the rate of cost-of-living adjustments to pensions will be utilized to resolve the deficiency, and vice versa in the event of surplus. The above extrapolation anticipates that the funding surplus at December 31, 2017 will be resolved through an increase in the rate of cost-of-living adjustment and an allocation to the contribution stabilization reserve.

**c) Councillors' Pension Plan**

**i) Pension Plan Established Under By-Law Number 3553/83**

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2017, the City paid out $0.3 million (2016 - $0.3 million). An actuarially determined pension obligation of $3.9 million (2016 - $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

**ii) Pension Plan Established Under By-Law Number 7869/01**

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg.

## *12. Pension Costs and Obligations (continued)*

### d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan or the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan, (the "Plans") respectively. These plans provide life insurance for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance until retirement. An actuarial valuation as of December 31, 2016 indicated that this post-retirement liability is fully funded.

During 2015, City Council approved by-law 80/2015 in respect of the Plans. The purpose of the by-law was to transfer the plans' administration from the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees' Group Life Insurance Plans Corporation ("CPEGLIPCo"). The Province of Manitoba approved the establishing of CPEGLIPCo as a municipal corporation. The benefits offered by the plans have not changed.

An actuarial valuation of the Plans was prepared as of December 31, 2016 and the results were extrapolated to December 31, 2017. The principal long-term assumptions on which the valuation was based were: discount rate of 4.50% per year (2016 - 4.50%); and general pay increases of 3.50% per year (2016 - 3.50%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plans is as follows:

| | **2017** | 2016 |
|---|---|---|
| Group life insurance plan assets, at actuarial value | **$ 160,451** | $ 153,122 |
| Accrued post-retirement life insurance obligations | **$ 95,648** | $ 92,204 |

## *13. Tangible Capital Assets*

| | **Net Book Value** | |
|---|---|---|
| | **2017** | 2016 |
| General | | |
| Land | **$ 288,906** | $ 283,762 |
| Buildings | **840,360** | 824,579 |
| Vehicles | **180,429** | 167,234 |
| Computer | **41,892** | 30,488 |
| Other | **274,201** | 274,246 |
| Infrastructure | | |
| Plants and facilities | **588,423** | 587,367 |
| Roads | **1,420,521** | 1,361,701 |
| Underground and other networks | **2,146,093** | 2,075,634 |
| Bridges and other structures | **580,104** | 586,868 |
| | **6,360,929** | 6,191,879 |
| Assets under construction | **277,266** | 227,119 |
| | **$ 6,638,195** | $ 6,418,998 |

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 2).

During the year, $0.1 million (2016 - $nil) of tangible capital assets were written-down. Interest capitalized during 2017 was $4.0 million (2016 - $3.8 million). In addition, roads and underground networks contributed to the City totalled $95.2 million in 2017 (2016 - $59.0 million) and were capitalized at their fair value at the time of receipt.

### 13. *Tangible Capital Assets (continued)*

Included in the above net book values are $273.6 million (2016 - $278.7 million) of tangible capital assets that were acquired through service concession arrangements. The amount includes estimated, yet to be determined settlements for land expropriations.

Works of art and historical treasures are held by the City in various locations. Due to the subjective nature of the assets they are not included in the values shown on these statements.

### 14. *Accumulated Surplus*

Accumulated surplus consists of the following:

| | **2017** | 2016 |
|---|---|---|
| Invested in tangible capital assets | **$ 5,638,975** | $ 5,396,951 |
| Reserves (Schedule 3) | **297,785** | 294,624 |
| Manitoba Hydro long-term receivable (Note 5) | **220,238** | 220,238 |
| Other surplus accumulated in utility operations, consolidated entities and other | **139,230** | 123,730 |
| Equity in government businesses (Note 6) | **30,213** | 30,150 |
| Unfunded expenses to be funded from future revenues: | | |
| Accrued employee benefits and other | **(223,849)** | (210,312) |
| Landfill | **(48,717)** | (49,054) |
| Contaminated sites | **(12,656)** | (15,050) |
| Canadian Museum for Human Rights grant | **(5,770)** | (6,690) |
| | **$ 6,035,449** | $ 5,784,587 |

Invested in tangible capital assets represents equity in non-financial assets, which is either a portion or the entire accumulated surpluses of specific funds consolidated in these statements. For those funds, where a portion of their accumulated surplus is allocated to invested in tangible capital assets, the amount is determined based on tangible capital assets less debt.

### 15. *Commitments and Contingencies*

The significant commitments and contingencies that existed at December 31, 2017 are as follows:

#### a) Operating leases

The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments on operating leases are as follows:

| | |
|---|---|
| 2018 | $ 8,344 |
| 2019 | 8,335 |
| 2020 | 7,950 |
| 2021 | 7,751 |
| 2022 | 7,522 |
| Thereafter | 71,546 |
| | $ 111,448 |

### 15. *Commitments and Contingencies (continued)*

**b) Legal obligations**

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2017 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the financial statements.

**c) Loan guarantees**

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2017 is $38.7 million (2016 - $37.6 million).

**d) Service concession arrangements**

(i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.8 million annually is to be adjusted by CPI and is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

(ii) As disclosed in Note 9d, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment totalling $1.5 million annually is to be adjusted by CPI and is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

(iii) The City has entered into a project agreement with Plenary Roads Winnipeg Transitway LP, Plenary Roads Winnipeg Transitway GP Inc. and PCL BRT (Winnipeg) GP Inc. (together, “PRWT”) to design, build, finance, (operate) and maintain the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. The contract was executed in June 2016 and terminates 30 years after substantial completion of the project.

The project is currently under construction with commissioning anticipated to be in the fall of 2019. The $467.3 million project is budgeted to be financed through a Provincial government transfer of $187.0 million, a $137.2 million service concession arrangement obligation to PRWT, a payment of $93.3 million from PPP Canada Inc., City-issued debt of $40.0 million, and other cash consideration of $9.8 million.

Upon commissioning the project, the City will commence repayment of the service concession agreement obligation to PRWT through monthly capital and interest performance-based payments totaling $8.35 million annually over the 30-year contract. The City will also pay PRWT over the term of the contract, a monthly performance-based maintenance payment averaging $3.16 million annually, to be adjusted by CPI.

**e) Veolia agreement**

On April 20, 2011, the City entered into an agreement ("Agreement") with VWNA Winnipeg Inc. (“Veolia”) for the provision of expert advice to the City to assist with construction and operating improvements to the City’s sewage treatment system (the “Program”). The Agreement commenced May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

### *15. Commitments and Contingencies (continued)*

The City’s sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the “Facilities”). Veolia’s role is to provide services to the City. Representatives of Veolia are working collaboratively with representatives of the City providing advice and recommendations in respect of the City's (i) management and operation of the Facilities (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvement to the Facilities during the term of this agreement. The Program does not include the City's supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the Agreement, the City: retains complete ownership of all the sewage system assets; continues to exercise control over the sewage treatment systems by means of City Council budget approvals and by setting service quality standards that will be reported publicly on a regular basis; continues to control operating and maintenance parameters by which the sewage system shall operate; and retains full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system are made by the City based upon the best advice of City management and Veolia experts working together.

The Agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

Compensation to Veolia under the Agreement includes the following components:

1. Reimbursement of Veolia’s actual direct costs related to the Program (“Direct Costs”);
2. An agreed-upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost (“Fee”);
3. For capital projects and operations under the Program, a target cost is to be set. Veolia is to receive a share of the savings when actual operating costs and/or capital costs are below target costs (“Gainshare”). Veolia is to receive a share of the expense when actual operating costs and/or capital costs are above target costs (“Painshare”); and
4. Key performance indicators (“KPIs”) will be established under the Program. Veolia is to earn amounts for achieving or completing established KPIs (“KPI earnings”), and to be deducted amounts for failing to achieve minimum KPIs (“KPI Deductions”).

The Agreement only guarantees payment to Veolia in respect of the Direct Costs incurred in providing services as indicated in item 1 in the above paragraph.

Amounts earned by Veolia over the term of the Agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account (“EARA”- (note 10)). Painshare and KPI deductions reduce the EARA. All of these amounts remain at risk for the duration of the Agreement and are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia’s withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

If at the end of the 30-year term the EARA is negative, Veolia must repay the City this amount.

The Agreement requires a Performance Guarantee Security (“PGS”), which is a letter of credit and performance bond that together provide security to the City. In addition to the PGS, Veolia provides a Parental Guarantee by its parent company.

## 15. *Commitments and Contingencies (continued)*

### f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2017, the forgivable loans totalled $3.1 million (2016 - $3.4 million).

## 16. *Taxation*

| | 2017 | 2016 |
|---|---|---|
| Municipal and school property taxes | **$ 1,175,939** | $ 1,130,639 |
| Payments-in-lieu of property (municipal and school) and business taxes | **51,125** | 52,082 |
| | **1,227,064** | 1,182,721 |
| Payments to Province and school divisions | **(667,369)** | (645,823) |
| Net property taxes and payments-in-lieu of property taxes available for municipal purposes | **559,695** | 536,898 |
| Local improvement and frontage levies | **63,120** | 63,129 |
| Business taxes and license-in-lieu of business taxes | **55,844** | 57,254 |
| Electricity and natural gas sales taxes | **20,383** | 20,145 |
| Amusement and accommodation taxes and mobile home licences | **13,167** | 13,590 |
| | **$ 712,209** | $ 691,016 |

The property tax roll includes school taxes of $636.9 million (2016 - $614.6 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2017 totalled $30.5 million (2016 - $31.2 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

Business taxes do not include the amount of levy imposed for business improvement zones of $5.4 million (2016 - $4.9 million).

## 17. *Sales of Services and Regulatory Fees*

| | 2017 | 2016 |
|---|---|---|
| Water sales and sewage services | **$ 297,703** | $ 260,440 |
| Other sales of goods and services | **144,956** | 146,838 |
| Regulatory fees | **86,175** | 83,743 |
| Transit fares | **79,078** | 78,620 |
| | **$ 607,912** | $ 569,641 |

## 18. *Government Transfers*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Operating** | | | | |
| Province of Manitoba | **$** | **180,860** | $ | 177,117 |
| Government of Canada | | **14,072** | | 5,126 |
| **Total Operating** | | **194,932** | | 182,243 |
| **Capital** | | | | |
| Province of Manitoba | | **96,439** | | 94,467 |
| Government of Canada | | **59,887** | | 57,083 |
| **Total Capital** | | **156,326** | | 151,550 |
| | **$** | **351,258** | $ | 333,793 |

Included in Government of Canada capital transfers above is $39.0 million relating to transfers received from Federal Gas Tax revenue (2016 - $39.8 million).

In accordance with the recommendations of the Public Sector Accounting Board, government transfers, to the extent a liability does not exist, and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

## 19. *Land Sales and Other Revenue*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Land sales | **$** | **15,550** | $ | 11,334 |
| Contributions in lieu of land dedication | | **5,055** | | 1,220 |
| Investment in government businesses (Note 6) | | **1,813** | | 3,394 |
| Other | | **9,710** | | 11,070 |
| | **$** | **32,128** | $ | 27,018 |

## 20. *Expenses by Object*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Salaries and benefits | **$** | **845,087** | $ | 836,857 |
| Goods and services | | **412,614** | | 417,643 |
| Amortization of tangible capital assets | | **245,941** | | 235,235 |
| Interest | | **52,834** | | 51,799 |
| Other expenses | | **35,429** | | 31,178 |
| | **$** | **1,591,905** | $ | 1,572,712 |

## 21. *Budget*

On December 12, 2017 Council approved the 2018 budget for the City of Winnipeg, including operating budgets for tax supported, utility, special operating agency and reserve operations as well as a capital budget. Included in the Council approved 2018 budget document is the 2017 consolidated budget that considers inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2017 consolidated budget has been utilized in these consolidated financial statements.

## 22. *Property and Liability Insurance*

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve (Schedule 3) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

## 23. *Segmented Information*

The City of Winnipeg is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, public transit and water. For management reporting purposes the City's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### Protection

Protection is comprised of the Police Service and Fire Paramedic Service departments. The mandate of the Police Service department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Paramedic Service department is responsible for providing fire suppression service; fire prevention programs; and training and education related to prevention, detection or extinguishment of fires. It is also responsible for pre-hospital emergency paramedical care and the transport of the sick and injured; for handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

### Community Services

The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. The department also contributes to the information needs of the City's citizens through the provision of library services.

### Planning

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development and parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes and building standards. It facilitates economic development by providing services for the approval of all land development plans, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

### Public Works and Water

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting. The Water and Waste department is responsible for land drainage and garbage collection operations.

## 23. *Segmented Information (continued)*

**Transit System Fund**

The Transit department is responsible for providing local public transportation service.

**Water and Waste Funds**

The Water and Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Winnipeg, collects and treats wastewater, and provides collection, disposal and waste minimization programs and facilities for solid waste. Their land drainage and garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Water segment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfers from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information, see the Consolidated Schedule of Segment Disclosure - Service (Schedule 4).

## 24. *Contractual Rights*

The significant contractual rights that existed at December 31, 2017 are as follows:

**a) Developer contributions**

The City has entered into a number of property development agreements which require the developers to contribute various infrastructure assets to the City, including roads and underground networks. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution, which cannot be determined with certainty at this time.

## 25. *Comparative Figures*

Certain comparative figures have been reclassified to conform to the presentation made in the current year.

# THE CITY OF WINNIPEG
# CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESSES

*As at and for the years ended*
*(in thousands of dollars)*

| | North Portage Development Corporation March 31 | | River Park South Developments Inc. December 31 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Financial Position** | | | | |
| Assets | | | | |
| Current | **$ 7,969** | $ 10,079 | **$ 6,510** | $ 12,746 |
| Capital | **73,639** | 72,494 | **-** | - |
| Other | **715** | 1,018 | **-** | - |
| | **$ 82,323** | $ 83,591 | **$ 6,510** | $ 12,746 |
| Liabilities | | | | |
| Current | **$ 3,663** | $ 3,836 | **$ 4,049** | $ 5,148 |
| Long-term | **21,734** | 23,200 | **-** | - |
| | **25,397** | 27,036 | **4,049** | 5,148 |
| **Net equity** | **56,926** | 56,555 | **2,461** | 7,598 |
| | **$ 82,323** | $ 83,591 | **$ 6,510** | $ 12,746 |
| **City share (Note 6)** | **$ 18,975** | $ 18,852 | **$ 1,231** | $ 3,799 |
| **Results of Operations** | | | | |
| Revenues | **$ 13,281** | $ 11,926 | **$ 5,038** | $ 12,470 |
| Expenses | **12,910** | 12,338 | **2,176** | 6,542 |
| **Net income (loss)** | **$ 371** | $ (412) | **$ 2,862** | $ 5,928 |
| **City's share (Note 6)** | **$ 124** | $ (137) | **$ 1,431** | $ 2,964 |

* No income or expenses were incurred during the year.

**Schedule 1**

| Winnipeg Housing Rehabilitation Corporation March 31 | | Park City Commons * December 31 | | Total | |
|---|---|---|---|---|---|
| **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **$ 3,367** | $ 3,136 | **$ 2,387** | $ 979 | **$ 20,233** | $ 26,940 |
| **18,309** | 20,283 | **5,054** | 1,865 | **97,002** | 94,642 |
| **4,916** | 4,988 | **-** | - | **5,631** | 6,006 |
| **$ 26,592** | $ 28,407 | **$ 7,441** | $ 2,844 | **$ 122,866** | $ 127,588 |
| **$ 3,083** | $ 3,098 | **$ 691** | $ 594 | **$ 11,486** | $ 12,676 |
| **16,877** | 18,935 | **-** | - | **38,611** | 42,135 |
| **19,960** | 22,033 | **691** | 594 | **50,097** | 54,811 |
| **6,632** | 6,374 | **6,750** | 2,250 | **72,769** | 72,777 |
| **$ 26,592** | $ 28,407 | **$ 7,441** | $ 2,844 | **$ 122,866** | $ 127,588 |
| **$ 6,632** | $ 6,374 | **$ 3,375** | $ 1,125 | **$ 30,213** | $ 30,150 |
| **$ 8,466** | $ 8,338 | **$ -** | $ - | **$ 26,785** | $ 32,734 |
| **8,208** | 7,771 | **-** | - | **23,294** | 26,651 |
| **$ 258** | $ 567 | **$ -** | $ - | **$ 3,491** | $ 6,083 |
| **$ 258** | $ 567 | **$ -** | $ - | **$ 1,813** | $ 3,394 |

## THE CITY OF WINNIPEG
## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*

| | General | | | | |
|---|---|---|---|---|---|
| | **Land *** | **Buildings** | **Vehicles** | **Computer** | **Other** |
| **Cost** | | | | | |
| Balance, beginning of year | $ 283,762 | 1,206,573 | 400,083 | 152,849 | 473,671 |
| Add: | | | | | |
| Additions during the year | 13,787 | 51,201 | 39,797 | 20,509 | 33,048 |
| Less: | | | | | |
| Disposals during the year | 8,643 | 3,017 | 21,968 | 3,700 | 959 |
| Balance, end of year | 288,906 | 1,254,757 | 417,912 | 169,658 | 505,760 |
| **Accumulated amortization** | | | | | |
| Balance, beginning of year | - | 381,994 | 232,849 | 122,361 | 199,425 |
| Add: | | | | | |
| Amortization | - | 35,189 | 25,443 | 9,058 | 33,103 |
| Less: | | | | | |
| Accumulated amortization on disposals | - | 2,786 | 20,809 | 3,653 | 969 |
| Balance, end of year | - | 414,397 | 237,483 | 127,766 | 231,559 |
| **Net Book Value of Tangible Capital Assets** | $ 288,906 | $ 840,360 | $ 180,429 | $ 41,892 | $ 274,201 |

* Included in land additions is $3.6 million of land transfers from land held for resale.
Included in land disposals is $8.1 million of land transfers to land held for resale.

**Schedule 2**

| Infrastructure | | | | | Totals | |
|---|---|---|---|---|---|---|
| **Plants and Facilities** | **Roads** | **Underground and Other Networks** | **Bridges and Other Structures** | **Assets Under Construction** | **2017** | 2016 |
| **889,627** | **2,505,223** | **3,159,452** | **842,121** | **227,119** | **$ 10,140,480** | $ 9,712,420 |
| **17,892** | **125,175** | **116,566** | **7,789** | **50,147** | **475,911** | 475,619 |
| **-** | **2,681** | **5,605** | **-** | **-** | **46,573** | 47,559 |
| **907,519** | **2,627,717** | **3,270,413** | **849,910** | **277,266** | **10,569,818** | 10,140,480 |
| **302,260** | **1,143,522** | **1,083,818** | **255,253** | **-** | **3,721,482** | 3,531,505 |
| **16,836** | **66,074** | **45,685** | **14,553** | **-** | **245,941** | 235,235 |
| **-** | **2,400** | **5,183** | **-** | **-** | **35,800** | 45,258 |
| **319,096** | **1,207,196** | **1,124,320** | **269,806** | **-** | **3,931,623** | 3,721,482 |
| **$ 588,423** | **$ 1,420,521** | **$ 2,146,093** | **$ 580,104** | **$ 277,266** | **$ 6,638,195** | $ 6,418,998 |

# THE CITY OF WINNIPEG
# CONSOLIDATED SCHEDULE OF RESERVES

**Schedule 3**

*As at December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| Reserves | | |
| Capital Reserves | | |
| Environmental Projects | **$ 93,934** | $ 93,167 |
| Transit Bus Replacement | **11,281** | 16,250 |
| Brady Landfill Site Rehabilitation | **7,421** | 6,609 |
| Waste Diversion | **7,202** | 6,612 |
| Sewer System Rehabilitation | **6,546** | 9,826 |
| SWRT Payment | **5,016** | 1,700 |
| SWRT Corridor | **4,220** | 4,209 |
| Impact Fee | **4,102** | - |
| Watermain Renewal | **2,279** | 5,583 |
| Computer Replacement | **967** | 475 |
| Federal Gas Tax Revenue | **235** | 182 |
| Regional Street Renewal | **115** | 576 |
| Local Streets Renewal | **95** | 438 |
| Golf Course | **-** | 343 |
| | **143,413** | 145,970 |
| Special Purpose Reserves | | |
| Perpetual Maintenance Fund - Brookside Cemetery | **16,811** | 16,393 |
| Destination Marketing | **14,148** | 13,340 |
| Land Dedication | **10,310** | 7,468 |
| Housing Rehabilitation Investment | **7,170** | 2,780 |
| Workers Compensation | **4,886** | 5,081 |
| Insurance (Note 21) | **4,626** | 2,691 |
| Commitment | **4,329** | 1,742 |
| Multi-Family Dwelling Tax Investment | **3,572** | 5,216 |
| Insect Control Urgent Expenditures | **3,000** | 2,228 |
| Permit | **2,000** | 2,000 |
| Heritage Investment | **1,935** | 2,743 |
| Economic Development Investment | **1,756** | 1,375 |
| Perpetual Maintenance Fund - St.Vital Cemetery | **1,182** | 1,152 |
| Perpetual Maintenance Fund - Transcona Cemetery | **824** | 797 |
| General Purpose | **150** | 149 |
| Land Operating * | **(2,091)** | 16,089 |
| | **74,608** | 81,244 |
| Stabilization Reserve | | |
| Financial Stabilization | **79,764** | 67,410 |
| ***Total Reserves*** | **$ 297,785** | $ 294,624 |

* This excludes the investments held for the River Park South Developments Inc. and Park City Commons government business partnerships.

| | 2017 | 2016 |
|---|---|---|
| Reserve balance as disclosed above | **$ (2,091)** | $ 16,089 |
| Investments held in government business (Note 6) | **4,606** | 4,924 |
| | **$ 2,515** | $ 21,013 |

# THE CITY OF WINNIPEG
# CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

*For the year ended December 31, 2017*
*(in thousands of dollars)*

| | General Revenue Fund | | | |
|---|---|---|---|---|
| | **Protection** | **Community Services** | **Planning** | **Public Works and Water** |
| ***REVENUES*** | | | | |
| Taxation | **$ 314,926** | **$ 80,544** | **$ -** | **$ 208,357** |
| Sales of services and regulatory fees | **56,370** | **14,815** | **29,358** | **9,717** |
| Government transfers (Note 18) | **82,839** | **9,515** | **-** | **20,029** |
| Transfer from other funds | **1,888** | **1,416** | **13,943** | **12,961** |
| Other | **23,225** | **5,637** | **2,392** | **14,212** |
| | **479,248** | **111,927** | **45,693** | **265,276** |
| ***EXPENSES*** *(Note 20)* | | | | |
| Salaries and benefits | **404,575** | **40,566** | **25,254** | **75,668** |
| Goods and services | **41,634** | **8,829** | **3,663** | **113,752** |
| Interest | **6,722** | **2,076** | **22** | **5,144** |
| Transfer to other funds | **20,153** | **39,721** | **16,848** | **85,731** |
| Other | **6,164** | **20,735** | **(94)** | **(15,019)** |
| | **479,248** | **111,927** | **45,693** | **265,276** |
| ***ANNUAL SURPLUS*** | **$ -** | **$ -** | **$ -** | **$ -** |

*For the year ended December 31, 2016*
*(in thousands of dollars)*

| | General Revenue Fund | | | |
|---|---|---|---|---|
| | Protection | Community Services | Planning | Public Works and Water |
| ***REVENUES*** | | | | |
| Taxation | $ 305,544 | $ 77,133 | $ - | $ 205,859 |
| Sales of services and regulatory fees | 58,618 | 15,007 | 28,359 | 12,016 |
| Government transfers (Note 18) | 77,826 | 9,409 | - | 19,331 |
| Transfer from other funds | 11,450 | 3,383 | 15,481 | 22,009 |
| Other | 22,130 | 5,317 | 2,511 | 12,517 |
| | 475,568 | 110,249 | 46,351 | 271,732 |
| ***EXPENSES*** *(Note 20)* | | | | |
| Salaries and benefits | 403,236 | 40,021 | 24,113 | 77,056 |
| Goods and services | 38,838 | 9,014 | 3,057 | 126,359 |
| Interest | 6,673 | 1,734 | 29 | 4,841 |
| Transfer to other funds | 21,800 | 39,955 | 18,195 | 79,542 |
| Other | 5,021 | 19,525 | 957 | (16,066) |
| | 475,568 | 110,249 | 46,351 | 271,732 |
| ***ANNUAL SURPLUS*** | $ - | $ - | $ - | $ - |

| | **Finance and Administration** | **Transit System Fund** | **Water and Waste Funds** | **Other Funds and Corporations** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|
| | **$ 110,414** | **$ -** | **$ -** | **$ 13,810** | **$ (15,842)** | **$ 712,209** |
| | **21,007** | **82,940** | **345,576** | **103,625** | **(55,496)** | **607,912** |
| | **15,266** | **54,299** | **23,322** | **170,241** | **(24,253)** | **351,258** |
| | **1,801** | **67,848** | **61,928** | **403,200** | **(564,985)** | **-** |
| | **16,141** | **835** | **25,058** | **119,985** | **(36,097)** | **171,388** |
| | **164,629** | **205,922** | **455,884** | **810,861** | **(696,673)** | **1,842,767** |
| | **48,125** | **110,442** | **71,468** | **59,993** | **8,996** | **845,087** |
| | **15,434** | **51,520** | **119,169** | **110,768** | **(52,155)** | **412,614** |
| | **77** | **4,973** | **10,184** | **43,024** | **(19,388)** | **52,834** |
| | **81,364** | **6,919** | **105,382** | **229,861** | **(585,979)** | **-** |
| | **19,629** | **21,040** | **42,407** | **233,273** | **(46,765)** | **281,370** |
| | **164,629** | **194,894** | **348,610** | **676,919** | **(695,291)** | **1,591,905** |
| | **$ -** | **$ 11,028** | **$ 107,274** | **$ 133,942** | **$ (1,382)** | **$ 250,862** |

| | Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | $ 103,845 | $ - | $ - | $ 15,330 | $ (16,695) | $ 691,016 |
| | 19,858 | 82,387 | 307,058 | 98,053 | (51,715) | 569,641 |
| | 16,239 | 55,512 | 29,678 | 151,313 | (25,515) | 333,793 |
| | 7,873 | 76,971 | 48,784 | 378,605 | (564,556) | - |
| | 14,960 | 6,121 | 13,362 | 98,342 | (34,864) | 140,396 |
| | 162,775 | 220,991 | 398,882 | 741,643 | (693,345) | 1,734,846 |
| | 46,011 | 108,100 | 69,110 | 59,935 | 9,275 | 836,857 |
| | 14,811 | 49,535 | 113,805 | 111,876 | (49,652) | 417,643 |
| | 309 | 5,003 | 9,419 | 40,385 | (16,594) | 51,799 |
| | 85,892 | 26,969 | 99,776 | 11,083 | (383,212) | - |
| | 15,752 | 20,403 | 38,456 | 218,624 | (36,259) | 266,413 |
| | 162,775 | 210,010 | 330,566 | 441,903 | (476,442) | 1,572,712 |
| | $ - | $ 10,981 | $ 68,316 | $ 299,740 | $ (216,903) | $ 162,134 |

# THE CITY OF WINNIPEG
# CONSOLIDATED FINANCIAL STATEMENTS

## FIVE-YEAR REVIEW

*December 31*
*("$" amounts in thousands of dollars, except as noted)*
*(Unaudited)*

| | | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| 1. | Population (as restated per Statistics Canada) | **749,500** | 735,600 | 718,400 | 709,253 | 698,696 |
| | Unemployment rate (as restated per Statistics Canada) | | | | | |
| | - Winnipeg | **5.8%** | 6.5% | 6.0% | 5.8% | 5.9% |
| | - National average | **6.4%** | 6.9% | 6.9% | 6.9% | 7.1% |
| 2. | Average annual headcount | **10,444** | 10,426 | 10,253 | 10,206 | 10,143 |
| 3. | Number of taxable properties | **231,360** | 228,941 | 226,736 | 223,411 | 220,942 |
| | Payments-in-lieu of taxes | | | | | |
| | Number of properties | **1,433** | 1,469 | 1,195 | 988 | 1,042 |
| 4. | Assessment (see note) - Residential | **$ 67,339,104** | $ 66,197,564 | $ 60,492,101 | $ 59,439,781 | $ 51,599,866 |
| | - Commercial and industrial | **17,649,138** | 17,637,524 | 15,295,925 | 15,102,472 | 13,501,469 |
| | - Farm and golf | **356,731** | 369,954 | 330,042 | 313,569 | 245,037 |
| | | **$ 85,344,973** | $ 84,205,042 | $ 76,118,068 | $ 74,855,821 | $ 65,346,372 |
| | Assessment per capita (in dollars) | **$ 113,869** | $ 115,302 | $ 105,955 | $ 105,542 | $ 93,526 |
| | Commercial and industrial as a percentage of assessment | **20.68%** | 20.95% | 20.09% | 20.18% | 20.66% |
| 5. | Tax arrears | **$ 52,599** | $ 51,550 | $ 58,121 | $ 54,825 | $ 49,592 |
| 6. | Tax arrears - per capita (in dollars) | **$ 70.18** | $ 70.08 | $ 80.90 | $ 77.30 | $ 70.98 |
| 7. | Municipal mill rate | **13.063** | 12.766 | 13.682 | 13.372 | 14.600 |
| | - Adjustment for tax increase | **2.3%** | 2.3% | 2.3% | 3.0% | 3.9% |
| | - Adjustment for general assessment | **0.0%** | -8.8% | 0.0% | -11.0% | 0.0% |
| 8. | Winnipeg consumer price index (per Statistics Canada) (annual average) | | | | | |
| | - 2002 base year 100 | **130.2** | 128.1 | 126.6 | 124.9 | 122.6 |
| | - Percentage increase | **1.6%** | 1.2% | 1.3% | 1.9% | 2.2% |
| 9. | Consolidated revenues | | | | | |
| | - Taxation | **$ 712,209** | $ 691,016 | $ 660,323 | $ 640,801 | $ 611,813 |
| | - User charges | **607,912** | 569,641 | 545,637 | 526,330 | 507,869 |
| | - Government transfers | **351,258** | 333,793 | 372,987 | 378,847 | 292,258 |
| | - Interest and other revenue | **171,388** | 140,396 | 176,338 | 170,558 | 207,318 |
| | | **$ 1,842,767** | $ 1,734,846 | $ 1,755,285 | $ 1,716,536 | $ 1,619,258 |
| 10. | Consolidated expenses by function | | | | | |
| | - Municipal operations | **$ 1,122,153** | $ 1,118,943 | $ 1,053,957 | $ 1,067,090 | $ 994,365 |
| | - Public utilities | **398,148** | 383,922 | 370,219 | 378,584 | 347,652 |
| | - Civic corporations | **71,604** | 69,847 | 61,810 | 58,185 | 54,783 |
| | | **$ 1,591,905** | $ 1,572,712 | $ 1,485,986 | $ 1,503,859 | $ 1,396,800 |
| 11. | Growth in accumulated surplus | **$ 250,862** | $ 162,134 | $ 269,299 | $ 212,677 | $ 222,458 |

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2014 and 2016. In the year of a general assessment, the mill rate is adjusted to offset the effect of market value changes of the entire assessment base.

# THE CITY OF WINNIPEG
# CONSOLIDATED FINANCIAL STATEMENTS

## FIVE-YEAR REVIEW - continued

*December 31*
*("$" amounts in thousands of dollars, except as noted)*
*(Unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| 12. Consolidated expenses by object | | | | | |
| Salaries and benefits | **$ 845,087** | $ 836,857 | $ 805,889 | $ 779,586 | $ 730,133 |
| Goods and services | **412,614** | 414,575 | 387,853 | 428,012 | 376,614 |
| Amortization | **245,941** | 235,235 | 221,358 | 208,074 | 198,106 |
| Interest | **52,834** | 51,799 | 56,130 | 53,715 | 54,732 |
| Other expenses | **35,429** | 34,246 | 14,756 | 34,472 | 37,215 |
| | **$ 1,591,905** | $ 1,572,712 | $ 1,485,986 | $ 1,503,859 | $ 1,396,800 |
| 13. Payments to school authorities | **$ 667,369** | $ 645,823 | $ 606,821 | $ 579,245 | $ 550,039 |
| 14. Debt | | | | | |
| Tax-supported | **$ 702,014** | $ 725,602 | $ 688,484 | $ 687,586 | $ 557,781 |
| Transit | **112,019** | 93,594 | 93,669 | 97,125 | 103,936 |
| City-owned utilities | **214,010** | 216,250 | 185,789 | 198,737 | 248,719 |
| Other | **82,126** | 78,144 | 81,135 | 84,816 | 74,848 |
| Total gross debt | **1,110,169** | 1,113,590 | 1,049,077 | 1,068,264 | 985,284 |
| Less: Sinking Funds | **67,468** | 65,677 | 53,116 | 125,630 | 195,237 |
| Total net long-term debt | **$ 1,042,701** | $ 1,047,913 | $ 995,961 | $ 942,634 | $ 790,047 |
| Percentage of total assessment | **1.22%** | 1.24% | 1.31% | 1.26% | 1.21% |
| 15. Acquisition of tangible capital assets | **$ 475,911** | $ 475,619 | $ 558,409 | $ 525,559 | $ 543,938 |
| 16. Net financial (liabilities) assets | **$ (630,786)** | $ (660,468) | $ (584,798) | $ (517,041) | $ (411,063) |
| 17. Accumulated surplus | | | | | |
| Invested in tangible capital assets | **$ 5,638,975** | $ 5,396,951 | $ 5,217,274 | $ 4,890,347 | $ 4,637,548 |
| Reserves | | | | | |
| Capital | **143,413** | 145,970 | 135,829 | 127,051 | 114,548 |
| Stabilization | **79,764** | 67,410 | 75,632 | 81,784 | 85,753 |
| Special Purpose | **74,608** | 81,244 | 91,471 | 82,810 | 77,863 |
| | **297,785** | 294,624 | 302,932 | 291,645 | 278,164 |
| Surpluses | | | | | |
| Manitoba Hydro long-term receivable | **220,238** | 220,238 | 220,238 | 220,238 | 220,238 |
| Other surpluses | **169,443** | 153,880 | 140,001 | 185,214 | 221,901 |
| Unfunded expenses | **(290,992)** | (281,106) | (257,992) | (227,104) | (210,188) |
| | **98,689** | 93,012 | 102,247 | 178,348 | 231,951 |
| | **$ 6,035,449** | $ 5,784,587 | $ 5,622,453 | $ 5,360,340 | $ 5,147,663 |
| 18. Government-specific indicators | | | | | |
| Assets-to-liabilities | **4.46** | 4.34 | 4.47 | 4.49 | 4.79 |
| Financial assets-to-liabilities | **0.64** | 0.62 | 0.64 | 0.66 | 0.70 |
| Public debt charges-to-revenues | **0.03** | 0.03 | 0.03 | 0.03 | 0.04 |
| Own-source revenues-to-taxable assessment | **0.02** | 0.02 | 0.02 | 0.02 | 0.02 |
| Government transfers-to-revenues | **0.19** | 0.19 | 0.21 | 0.22 | 0.18 |

# 2017 Funds
Detailed Financial Statements

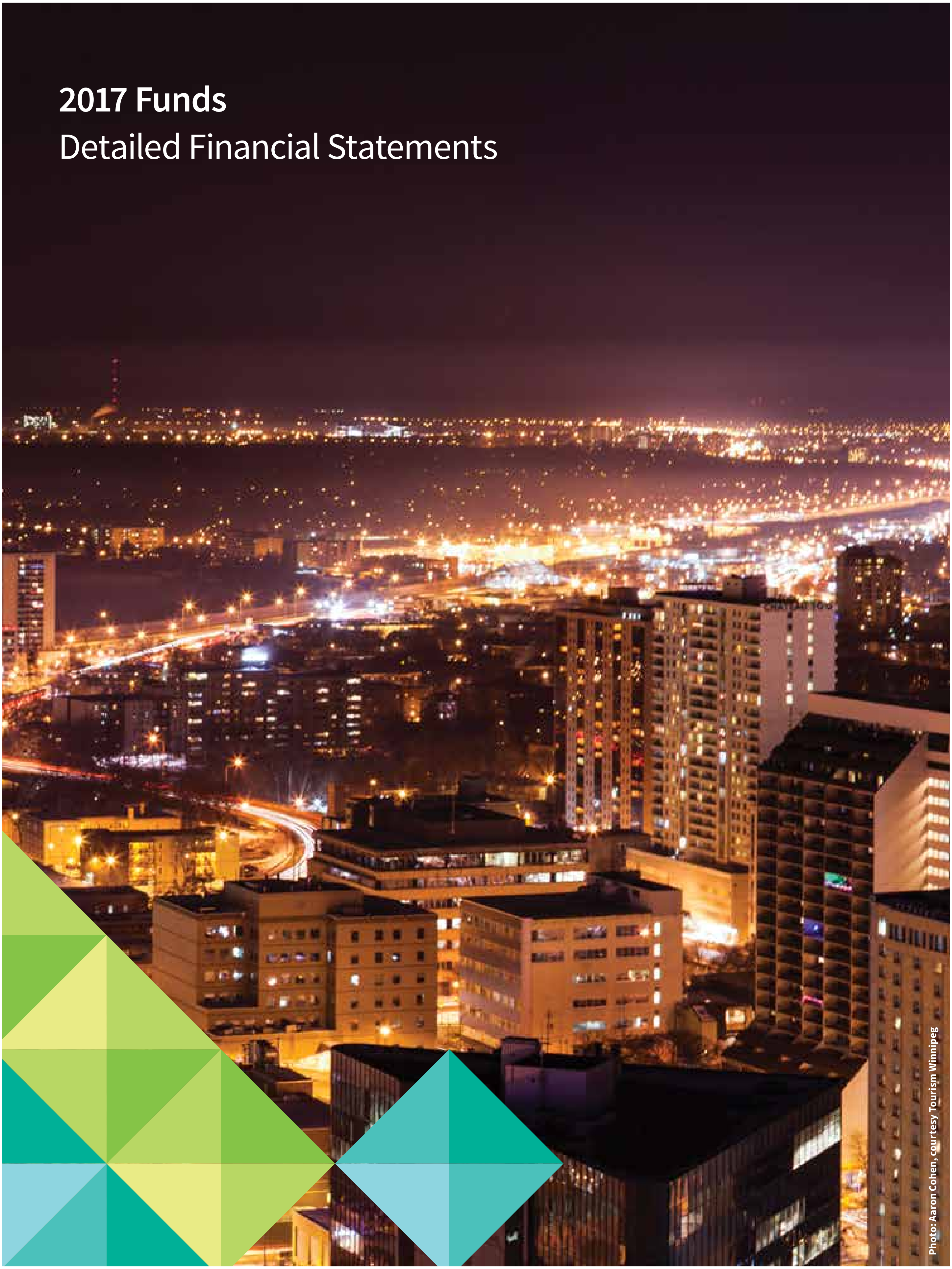

Photo: Aaron Cohen, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

The City of Winnipeg ("the City") is a single-tier municipality created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, parks and recreation. The City is required by The Public Schools Act to bill, collect and remit provincial support and school division special levies on behalf of the Province and school divisions. The City also bills, collects, and remits taxes on behalf of local business improvement zones. Activities related to these billing functions are not included in the Statement of Operations.

For the year-ended December 31, 2017, the General Revenue Fund reported a surplus of $15.0 million (2016 - $5.1 million deficit) before transfers. Factors that contributed to the General Revenue Fund's position were as follows:

- The Public Works department experienced a $6.6 million favourable variance, mostly due to position vacancies and lower expenditures incurred in the Insect Control division.
- The Community Services department experienced a $3.2 million favourable variance, mainly due to savings from position vacancies and revenues exceeding budget.
- Corporate Finance had a favourable variance of $2.6 million, mostly related to higher capital construction interest, other revenues, and recoveries.
- The Fire Paramedic department's favourable net mill rate variance of $2.2 million is mostly due to additional ambulance revenues, as well as savings in expenses.
- The Police department had a favorable variance of $2.1 million, mainly due to the savings associated with the new collective agreement with the Winnipeg Police Association. These savings are offset by lower provincial funding relating to the cadet program and the police helicopter.
- The Planning, Property and Development department's favourable net mill rate variance of $1.2 million is mostly due to the saving in expenses, position vacancies and additional revenues.
- The Water and Waste department's net mill rate variance was favourable by $1.1 million, mostly related to savings in expenses and contracts.
- Street Lighting had a favourable variance of $1.0 million, mainly due to light and power cost savings.
- The Corporate accounts had an unfavourable net mill rate variance of $7.0 million, mainly due to the 2016 deficit related shortfalls in the transfer to reserves and a decrease in budgeted savings. This was offset by a savings from adjustments to provisions in debt and finance charges.

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

## FIVE-YEAR REVIEW

*December 31*
*("$" amounts in thousands of dollars, except as noted)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| *Planning, Property and Development* | | | | | |
| Construction | | | | | |
| -Permits issued | **10,859** | 10,213 | 8,821 | 8,595 | 8,461 |
| -Value | **$ 2,015,542** | $ 1,804,579 | $ 1,435,969 | $ 1,537,716 | $ 1,781,937 |
| Housing starts | **5,046** | 4,002 | 3,656 | 4,548 | 3,866 |
| *Community Services* | | | | | |
| Libraries Provincial Transfer | **$ 2,010** | $ 2,010 | $ 2,010 | $ 2,010 | $ 2,010 |
| Library circulation | **4,898,940** | 5,121,266 | 5,242,048 | 5,211,846 | 5,319,275 |
| *Taxes Receivable* | | | | | |
| Property, payments-in-lieu and business taxes | **$ 51,469** | $ 49,987 | $ 57,072 | $ 51,777 | $ 46,985 |
| Allowance for tax arrears | **(755)** | (330) | (4,255) | (6,183) | (3,694) |
| | **$ 50,714** | $ 49,657 | $ 52,817 | $ 45,594 | $ 43,291 |
| *Tax Revenues* | | | | | |
| Municipal realty taxes | **$ 535,344** | $ 512,746 | $ 497,401 | $ 480,053 | $ 453,682 |
| Payments-in-lieu of taxes | **$ 36,134** | $ 35,424 | $ 34,066 | $ 32,885 | $ 31,144 |
| Business and licenses-in-lieu of business taxes | **$ 55,411** | $ 57,254 | $ 56,328 | $ 57,729 | $ 56,412 |
| *Statement of Operations* | | | | | |
| Revenues | **$ 1,066,773** | $ 1,066,676 | $ 1,000,598 | $ 979,856 | $ 930,557 |
| Expenses | **1,066,773** | 1,066,676 | 984,257 | 979,132 | 930,557 |
| | **-** | - | 16,341 | 724 | - |
| Contribution to: | | | | | |
| General Purpose Reserve | **-** | - | (16,341) | (724) | - |
| Surplus | **$ -** | $ - | $ - | $ - | $ - |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash and cash equivalents (Note 3) | **$ 666,951** | $ 494,137 |
| Accounts receivable (Note 4) | **99,878** | 120,299 |
| Materials and supplies | **10,593** | 8,996 |
| Prepaid expenses | **2,732** | 2,230 |
| | **780,154** | 625,662 |
| Investments (Note 5) | **17,876** | 36,865 |
| Contributed surplus and other assets (Note 6) | **37,785** | 36,159 |
| | **$ 835,815** | $ 698,686 |
| ***LIABILITIES*** | | |
| Current | | |
| Notes payable (Note 7) | **$ 233,269** | $ 128,745 |
| Due to other funds (Note 8) | **389,934** | 357,649 |
| Accounts payable and accrued liabilities (Note 9) | **144,093** | 144,978 |
| Deferred revenue (Note 10) | **40,772** | 41,083 |
| Performance and other deposits | **27,747** | 26,231 |
| | **$ 835,815** | $ 698,686 |

Commitments and contingent liabilities (Note 11)

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

## STATEMENT OF OPERATIONS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Taxation (Note 12) | **$ 679,209** | **$ 678,107** | $ 656,958 |
| Government transfers | **127,789** | **127,650** | 122,805 |
| Regulation fees | **72,415** | **69,904** | 70,854 |
| Sale of goods and services (Note 13) | **62,823** | **61,517** | 63,003 |
| Investment and other interest | **40,688** | **41,758** | 39,323 |
| Contributions and transfers | **41,512** | **32,009** | 60,196 |
| Payments-in-lieu of taxes (Note 12) | **36,134** | **36,134** | 35,424 |
| Sale of Winnipeg Hydro and Other | **18,938** | **19,694** | 18,113 |
| Total Revenues | **1,079,508** | **1,066,773** | 1,066,676 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Protection and community services | **603,142** | **592,207** | 586,848 |
| Public works | **275,682** | **265,276** | 271,735 |
| Finance and administration | **95,889** | **92,822** | 87,270 |
| Contribution and appropriations | **55,126** | **68,304** | 69,919 |
| Property and development | **45,598** | **45,692** | 46,352 |
| Employee benefits and payroll tax | **14,478** | **13,590** | 13,686 |
| Debt and finance charges | **568** | **502** | 518 |
| Other | **(10,975)** | **(11,620)** | (9,652) |
| Total Expenses | **1,079,508** | **1,066,773** | 1,066,676 |
| Surplus for the year | **$ -** | **$ -** | $ - |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

**a) Basis of presentation**

The General Revenue Fund follows the fund basis of reporting. This Fund was created for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**b) Basis of accounting**

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified for expenses relating to accrued vacation costs, compensated absences, legal claims, retirement allowance, workers compensation claims, insurance claims, councillors' pension plan costs, and environmental costs which are recorded when payment is incurred.

**c) Cash equivalents**

Cash equivalents consist of crown corporation bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, and bankers' acceptances; schedule 2 bankers' acceptances; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

**d) Materials and supplies**

Materials and supplies are recorded at the lower of cost or net realizable value.

**e) Investments**

Bonds are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

**f) Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**g) Debt and finance charges**

Tax-supported tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund with the interest expense recorded in the General Capital Fund.

**h) Administration and interest on capital work**

In certain circumstances, capital project work capitalized in the General Capital Fund includes an administration fee of 1.25% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, financing charges of 2% are also capitalized as part of the project funded by the City. The administration fee and financing charge revenues are recorded in the General Revenue Fund.

**i) Debenture premiums and issue expenses**

Debenture premiums are amortized over the term of the debenture and issue expenses are charged to operations in the General Revenue Fund in the year of the related debenture issue.

**j) Deferred gain on sale of assets to Special Operating Agencies**

Golf Services - Special Operating Agency and Winnipeg Parking Authority - Special Operating Agency commenced operations on January 1, 2002 and January 1, 2005, respectively. The City sold assets, including land, to these Agencies. The gain on the sale of these assets is being realized over the same time period as the assets are being amortized by the Agencies.

**k) Tax Revenue**

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made of property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material.

## 1. *Significant Accounting Policies (continued)*

### l) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the financial statements.

## 2. *Status of the General Revenue Fund*

The City is a municipality which was created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, urban planning, parks and recreation.

The City is required by The Public Schools Act to bill, collect and remit provincial education support and school division special levies on behalf of the Province of Manitoba and the school divisions. The City also bills, collects and remits taxes on behalf of business improvement zones. The City has no jurisdiction or control over the school divisions' or business improvement zones' operations or their mill rate increases and therefore, the financial statements of these entities do not form part of the General Revenue Fund's financial statements.

## 3. *Cash and Cash Equivalents*

| | **2017** | 2016 |
|---|---|---|
| Bank balance, net of other cash items | **$ 22,463** | $ 8,849 |
| Cash equivalents | **644,488** | 485,288 |
| | **$ 666,951** | $ 494,137 |

Cash equivalents have an effective average interest rate of 1.31% (2016 - 0.91%).

## 4. *Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Property, payments-in-lieu and business taxes | **$ 51,469** | $ 49,987 |
| Allowance for tax arrears | **(755)** | (330) |
| | **50,714** | 49,657 |
| Trade accounts and other receivables | **34,267** | 40,704 |
| Province of Manitoba | **22,547** | 34,496 |
| Government of Canada | **4,141** | 4,706 |
| Accrued interest receivable | **730** | 734 |
| Allowance for doubtful accounts | **(12,521)** | (9,998) |
| | **49,164** | 70,642 |
| | **$ 99,878** | $ 120,299 |

## 5. *Investments*

| | 2017 | 2016 |
|---|---|---|
| Marketable securities | | |
| Government of Canada bonds and Federal Guarantee | **$ -** | $ 15,185 |
| Provincial bonds | **9,117** | 5,000 |
| Municipal bonds | **8,759** | 16,680 |
| | **$ 17,876** | $ 36,865 |

The aggregate market value of marketable securities at December 31, 2017 is $18.0 million (2016 - $37.0 million).

## 6. *Contributed Surplus and Other Assets*

| | 2017 | 2016 |
|---|---|---|
| Contributed surpluses: | | |
| Golf Services - Special Operating Agency | **$ 20,575** | $ 20,090 |
| Land Operating Reserve | **8,425** | 8,425 |
| Winnipeg Parking Authority - Special Operating Agency | **73** | 172 |
| Loans receivable: | | |
| Winnipeg Parking Authority - Special Operating Agency, start-up loan with no specific terms of repayment | **3,918** | 3,918 |
| Golf Services - Special Operating Agency, start-up loan, non-interest bearing | **2,830** | 2,866 |
| Capital loan receivable: | | |
| Capitalize land development costs in St. Boniface Industrial Park Phase II, non-interest bearing. | **1,964** | - |
| Deferred election costs | **-** | 688 |
| | **$ 37,785** | $ 36,159 |

## 7. *Notes Payable*

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 0.65% (2016 - 0.45%). These notes are callable by the issuers.

| | 2017 | 2016 |
|---|---|---|
| Winnipeg Civic Employees' Benefits Program (Pension Fund) | **$ 151,312** | $ 69,750 |
| Winnipeg Police Pension Plan | **74,390** | 44,364 |
| Insurance Reserve | **3,560** | 3,646 |
| Workers Compensation Reserve | **1,844** | 5,081 |
| Sinking Fund | **869** | 4,269 |
| Brady Landfill Site Rehabilitation Reserve | **257** | 693 |
| Perpetual Maintenance Reserve Funds: | | |
| - Brookside Cemetery | **788** | 749 |
| - Transcona Cemetery | **122** | 96 |
| - St. Vital Cemetery | **127** | 97 |
| | **$ 233,269** | $ 128,745 |

## 8. *Due to Other Funds*

The City operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Bank transactions are credited or charged to the "Due (from)/to" account in each fund when they are processed through the bank. Where appropriate, interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate.

| | **2017** | 2016 |
|---|---|---|
| Capital Reserves | **$ 159,269** | $ 158,808 |
| Sewage Disposal System | **85,175** | 80,333 |
| Financial Stabilization Reserve | **79,764** | 67,410 |
| Special Purpose Reserves | **51,046** | 43,727 |
| General Capital | **20,427** | 21,912 |
| Solid Waste Disposal | **11,809** | 14,974 |
| Winnipeg Parking Authority - Special Operating Agency | **9,221** | 4,372 |
| Transit System | **6,061** | (7,016) |
| Municipal Accommodations | **4,235** | 7,527 |
| Animal Services - Special Operating Agency | **2,326** | 1,852 |
| Trusts | **219** | 214 |
| Equipment and Material Services | **134** | 134 |
| Winnipeg Enterprises Corporation | **-** | (985) |
| Golf Services - Special Operating Agency | **(6,495)** | (6,687) |
| Fleet Management - Special Operating Agency | **(15,446)** | (9,922) |
| Waterworks System | **(17,811)** | (19,004) |
| | **$ 389,934** | $ 357,649 |

## 9. *Accounts Payable and Accrued Liabilities*

| | **2017** | 2016 |
|---|---|---|
| Trade accounts payable | **$ 59,736** | $ 62,065 |
| Provincial education support and school division special levies payable | **33,109** | 31,177 |
| Wages and employee benefits payable | **26,093** | 28,396 |
| Other accrued liabilities | **12,079** | 11,189 |
| Provision for assessment appeals | **11,633** | 10,420 |
| Accrued interest on long-term debt | **1,443** | 1,731 |
| | **$ 144,093** | $ 144,978 |

## 10. *Deferred Revenue*

| | **2017** | 2016 |
|---|---|---|
| Deferred gain on sale of assets to: | | |
| Golf Services - Special Operating Agency | **$ 21,190** | $ 21,279 |
| Winnipeg Parking Authority - Special Operating Agency | **3,900** | 5,278 |
| Permit, membership & survey fees | **13,351** | 12,160 |
| Rentals | **1,250** | 1,301 |
| Registration fees | **1,081** | 1,065 |
| | **$ 40,772** | $ 41,083 |

## *11. Commitments and Contingent Liabilities*

The following significant commitments and contingencies existed at December 31, 2017:

### a) Loan guarantees

The City has unconditionally guaranteed the payment of principal and interest on outstanding capital improvement loans for the following organizations:

| | **2017** | 2016 |
|---|---|---|
| CentreVenture Development Corporation | **$ 26,351** | $ 18,005 |
| The Convention Centre Corporation | **24,099** | 22,000 |
| Fort Rouge Yards | **10,000** | 10,000 |
| Dakota Community Centre Inc. | **8,204** | 5,940 |
| Winnipeg Soccer Federation | **6,958** | 7,921 |
| Garden City Community Centre Inc. | **6,510** | 6,729 |
| Assiniboine Park Conservancy | **4,800** | 6,150 |
| Transcona East End Community Club Inc. | **3,809** | 3,921 |
| Southdale Recreation Association Inc. | **2,421** | 2,549 |
| Gateway Recreation Centre Inc. | **420** | - |
| Winnipeg Housing Rehabilitation Corporation | **417** | 549 |
| | **$ 93,989** | $ 83,764 |

When an organization has failed to meet debt covenants on existing debt obligations and factors known at the time of reporting are likely to affect the ability of the borrower to repay the loan in the future, then a provision for losses on loan guarantees will be accrued in the financial statements. As at December 31, 2017, an accrual has not been made to the financial statements.

### b) Lawsuits

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2017 cannot be predicted with certainty. The expense is recorded when settlement occurs.

Normal contingent liabilities exist consisting of routine claims for street and sidewalk accidents, property damage, etc. Any loss will be accounted for in the period in which settlement occurs.

## *12. Taxation*

The property tax roll recorded in the General Revenue Fund for the year totaled $1.2 billion (2016 - $1.1 billion). This included school taxes of $636.9 million (2016 - $614.8 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $66.6 million (2016 - $66.4 million). Included were payments-in-lieu of school taxes assessed in 2017 of $30.5 million (2016 - $31.0 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced, the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes, with applicable interest.

Included in payments-in-lieu of taxes and business taxes are amounts levied against other funds for realty and business taxes. Taxes are assessed on these properties as if they were privately owned.

## 12. *Taxation (continued)*

The amounts levied are as follows:

| | 2017 | 2016 |
|---|---|---|
| Sewage Disposal System | **$ 11,531** | $ 10,735 |
| Waterworks System | **2,809** | 2,705 |
| Transit System | **804** | 792 |
| Winnipeg Parking Authority - Special Operating Agency | **202** | 195 |
| Solid Waste Disposal | **35** | 29 |
| | **$ 15,381** | $ 14,456 |

## 13. *General Government Charges from Related Parties*

Included in the sale of goods and services is general government charges levied against other funds for administrative services as follows:

| | 2017 | 2016 |
|---|---|---|
| Waterworks System | **$ 1,069** | $ 1,064 |
| Sewage Disposal System | **922** | 917 |
| Transit System | **797** | 793 |
| Municipal Accommodations | **617** | 614 |
| Solid Waste Disposal | **138** | 137 |
| Winnipeg Parking Authority - Special Operating Agency | **80** | 80 |
| Animal Services - Special Operating Agency | **78** | 78 |
| Fleet Management - Special Operating Agency | **-** | 63 |
| | **$ 3,701** | $ 3,746 |

## 14. *Contributions and Appropriations to Related Parties*

In addition to those disclosed elsewhere in the financial statements, included in the fund's expenses are the following:

Included in Community Services department's expenses are transfers to various funds as follows: Animal Services - Special Operating Agency net transfer $1.3 million (2016 - $1.4 million); and Wading and Outdoor Pool Extended Season Reserve $nil (2016 - $487 thousand).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve $2.0 million (2016 - $1.9 million).

Included in Planning, Property and Development department's expenses is a transfer to the Perpetual Maintenance Reserves in the amount of $125 thousand (2016 - $144 thousand), a transfer to the Permit Reserve of $641 thousand (2016 - $489 thousand) and the Housing Rehabilitation Investment Reserve of $1.0 million (2016 - $1.0 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $330 thousand (2016 - $329 thousand) from the Special Purpose Reserves, $614 thousand (2016 - $549 thousand) from the Capital Reserves, and $238 thousand (2016 - $189 thousand) from the Sinking Fund. There was $265 thousand (2016 - $nil) recovered from the Financial Stabilization Reserve.

Included in government affairs, pension contribution and other expenses during 2017 is a $94 thousand (2016 - $94 thousand) transfer from the Municipal Accommodations Fund.

## *14. Contributions and Appropriations to Related Parties (continued)*

Included in various expense categories are the following: during 2017 a transfer of $67.3 million to the Municipal Accommodations Fund (2016 - $66.2 million); a transfer to the Computer Replacement Reserve of $978 thousand (2016 - $1.7 million); a transfer to the General Capital Fund of $57.0 million (2016 - $65.0 million) to fund capital projects; a contribution to the Commitment Reserve of $2.4 million (2016 - $1.4 million); a transfer to the Insurance Reserve of $1.2 million (2016 - $226 thousand); a transfer from the General Capital Fund of $1.7 million (2016 transfer to $1.2 million) for capital expenditures; a transfer to the Waterworks System Fund of $78 thousand (2016 - $74 thousand); a transfer to Local Streets Renewal Reserve of $24.3 million (2016 - $19 million) and a transfer to Regional Streets Renewal Reserve of $19.8 million (2016 - $14.5 million).

## *15. Pension Costs and Obligations*

### a) Winnipeg Civic Employees' Benefits Pension and Winnipeg Police Pension Plans

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans. The City allocates its benefit costs to various departments. During the year $60.3 million (2016 - $60.0 million) of benefit costs were allocated to the General Revenue Fund.

### b) Councillors' Pension Plan Established Under By-Law No. 3553/83

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2017 has been estimated to be $3.9 million (2016 - $3.9 million). In 2017, the City paid out $0.3 million (2016 - $0.3 million).

### c) Council Pension Benefits Program Established Under By-Law No. 7869/2001

The City of Winnipeg Council Pension Benefits Program (formerly the Councillors' Pension Plan) was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-Law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of City Council were required to become members of the Program on January 1, 2001.

In 2017, the City paid out $0.4 million (2016 - $0.4 million).

## *16. Other Employee Benefits*

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $73.1 million (2016 - $79.4 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2017 is estimated at $33.0 million (2016 - $28.5 million).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2017 is estimated at $44.0 million (2016 - $42.0 million).

### *16. Other Employee Benefits (continued)*

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2017 is estimated at $32.8 million (2016 - $29.6 million).

e) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance. An actuarial valuation indicated that this post-retirement liability is fully funded.

### *17. Related Party Transactions*

Included in these financial statements are revenue and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the General Revenue Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 1**

## REVENUES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Taxation** | | | |
| Municipal realty tax | **$ 535,255** | **$ 535,344** | $ 512,746 |
| Frontage levy | **62,837** | **62,609** | 62,237 |
| Business and licenses-in-lieu of business taxes | **55,411** | **55,411** | 57,254 |
| Electricity and natural gas sales taxes | **21,243** | **20,383** | 20,145 |
| Entertainment tax | **2,200** | **2,140** | 2,296 |
| Local improvement tax | **1,098** | **1,049** | 1,150 |
| Billboard tax | **700** | **701** | 690 |
| Licenses-in-lieu of realty tax | **365** | **368** | 366 |
| Local improvement tax commuted | **100** | **102** | 74 |
| | **679,209** | **678,107** | 656,958 |
| **Government transfers** | | | |
| Provincial | | | |
| Building Manitoba Fund | **52,068** | **52,068** | 52,068 |
| Unconditional | **26,494** | **26,493** | 26,494 |
| Ambulance | **20,412** | **17,837** | 16,685 |
| Casino | **11,744** | **11,744** | 11,744 |
| Emergency medical services | **10,786** | **10,786** | 10,786 |
| Support | **10,576** | **10,529** | 10,418 |
| Other | **6,845** | **3,928** | 4,417 |
| WRHA Ambulance fee reduction | **-** | **4,357** | - |
| Assessment | **3,000** | **3,000** | 3,000 |
| Larviciding | **2,300** | **2,316** | 2,300 |
| Policing | **2,300** | **2,300** | 2,300 |
| Libraries | **2,010** | **2,010** | 2,010 |
| Policing - helicopter | **1,889** | **1,700** | 2,294 |
| Main Street project | **-** | **1,232** | 939 |
| Dutch elm disease control | **1,000** | **1,000** | 1,000 |
| Services transferred to the Province | **(23,650)** | **(23,650)** | (23,650) |
| | **127,774** | **127,650** | 122,805 |
| Federal government | **15** | **-** | - |
| | **127,789** | **127,650** | 122,805 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 1**

## REVENUES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Regulation fees** | | | |
| Permits and fees | **34,503** | **31,003** | 32,593 |
| Fines | **22,240** | **21,619** | 21,792 |
| Tax penalties | **13,600** | **14,745** | 14,244 |
| Licenses | **2,072** | **2,537** | 2,225 |
| | **72,415** | **69,904** | 70,854 |
| **Sale of goods and services** | **62,823** | **61,517** | 63,003 |
| **Contributions and transfers** | | | |
| Municipal Accommodations (Note 14) | **10,809** | **12,231** | 14,723 |
| Sewage Disposal System | **11,438** | **10,672** | 9,884 |
| Financial Stabilization Reserve | **5,000** | **2,866** | 8,350 |
| Insect Control Urgent Expenditure Reserve | **400** | **1,222** | 2,305 |
| Workers Compensation Reserve | **1,000** | **1,000** | 1,000 |
| Transit System | **782** | **783** | 783 |
| Housing Rehabilitation Reserve | **576** | **736** | 819 |
| Waterworks System | **678** | **678** | 677 |
| Permit Reserve | **600** | **600** | - |
| Land Operating Reserve | **235** | **395** | 235 |
| Perpetual Maintenance | **299** | **324** | - |
| Winnipeg Enterprises | **-** | **309** | - |
| General Revenue Enterprise | **-** | **-** | 3,525 |
| Winnipeg Parking Authority - Special Operating Agency | **135** | **133** | 135 |
| Destination Marketing Reserve | **60** | **60** | 60 |
| General Purpose Reserve | **9,500** | **-** | 16,300 |
| Economic Development Investment Reserve | **-** | **-** | 1,400 |
| | **41,512** | **32,009** | 60,196 |
| **Investment and other interest** | | | |
| Transfer from Sewage Disposal System | **20,652** | **20,652** | 18,763 |
| Transfer from Waterworks System | **14,943** | **14,943** | 13,205 |
| Interest earned | **3,001** | **3,321** | 3,580 |
| Interest capitalized | **1,500** | **2,250** | 2,283 |
| Transfer from Parking | **500** | **500** | - |
| Transfer from Fleet | **92** | **92** | 1,492 |
| Debt charges recovered | **-** | **-** | - |
| | **40,688** | **41,758** | 39,323 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 1**

## REVENUES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Payments-in-lieu of taxes** | **36,134** | **36,134** | 35,424 |
| **Sale of Winnipeg Hydro and other** | | | |
| Manitoba Hydro | **16,000** | **16,000** | 16,000 |
| Accounts payable write-offs, commissions, etc. | **2,939** | **3,694** | 2,113 |
| | **18,939** | **19,694** | 18,113 |
| **Total Revenues** | **$ 1,079,509** | **$ 1,066,773** | $ 1,066,676 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND



## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Protection and community services** | | | |
| Police services | $ 288,000 | $ 284,006 | $ 284,494 |
| Fire paramedic service | 199,219 | 195,242 | 191,075 |
| Community services | 114,892 | 111,928 | 110,249 |
| Museums | 1,031 | 1,031 | 1,030 |
| | 603,142 | 592,207 | 586,848 |
| **Public works** | | | |
| Public works | 229,991 | 222,145 | 231,404 |
| Water and waste | 32,292 | 30,686 | 27,952 |
| Street lighting | 13,399 | 12,445 | 12,379 |
| | 275,682 | 265,276 | 271,735 |
| **Finance and administration** | | | |
| Corporate support services | 35,996 | 34,708 | 36,521 |
| Assessment and taxation | 20,856 | 21,441 | 15,000 |
| City clerks | 14,947 | 14,444 | 14,546 |
| Corporate finance | 9,073 | 8,037 | 8,392 |
| Chief administrative offices | 4,353 | 4,138 | 2,986 |
| Council | 3,532 | 3,420 | 3,383 |
| Legal services | 3,078 | 3,075 | 3,089 |
| Mayor's office | 1,863 | 1,595 | 1,666 |
| Audit | 1,379 | 1,326 | 903 |
| Policy development and strategic initiatives | 812 | 638 | 784 |
| | 95,889 | 92,822 | 87,270 |
| **Contributions and appropriations** | | | |
| Contribution to Transit System | 55,126 | 53,326 | 69,919 |
| Transfer to Financial Stabilization Reserve | - | 14,978 | - |
| | 55,126 | 68,304 | 69,919 |
| **Property and development** | | | |
| Planning, property and development | 45,598 | 45,692 | 46,352 |
| **Employee benefits and payroll tax** | | | |
| Provincial payroll tax | 10,734 | 10,889 | 10,796 |
| Employee benefits | 3,744 | 2,701 | 2,890 |
| | 14,478 | 13,590 | 13,686 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Debt and finance charges** | | | |
| Transfer to General Capital Fund | **23,869** | **23,141** | 22,338 |
| Other interest and finance charges | **-** | **2,058** | 767 |
| Transfer to departments | **(23,301)** | **(24,697)** | (22,587) |
| | **568** | **502** | 518 |
| **Other** | | | |
| Insurance and damage claims | **3,838** | **3,838** | 4,131 |
| Government affairs, pension contribution and other | **(14,813)** | **(15,458)** | (13,783) |
| | **(10,975)** | **(11,620)** | (9,652) |
| **Total Expenses** | **$ 1,079,508** | **$ 1,066,773** | $ 1,066,676 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 3**

## EXPENSES BY OBJECT

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| Salaries and employee benefits | **$ 607,664** | **$ 594,188** | $ 590,437 |
| Transfers to other Funds | **227,646** | **245,555** | 245,384 |
| Services | **144,088** | **138,434** | 149,037 |
| Materials, parts and supplies | **39,643** | **38,112** | 36,810 |
| Grants and payments to other authorities - departmental and corporate | **34,454** | **32,548** | 31,433 |
| Debt and finance charges - departmental and corporate | **26,458** | **24,625** | 24,031 |
| Municipal tax, amortization and other | **13,284** | **11,525** | 6,823 |
| Provincial payroll tax | **10,732** | **10,889** | 10,796 |
| Assets - purchases and renovations | **7,312** | **6,766** | 6,233 |
| Recoveries | **(31,773)** | **(35,869)** | (34,308) |
| | **$ 1,079,508** | **$ 1,066,773** | $ 1,066,676 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 4**

## SCHOOL TAXES LEVIED

*For the years ended December 31*
*(unaudited)*

In addition to the tax revenues required to be raised for Municipal purposes, City Council under the continuing provisions of The Public Schools Act, must fix and impose taxes sufficient to meet that portion of the cost of education that is to be raised through levies on assessable property within the City of Winnipeg.

The amounts that were required to be raised in 2017 included the City's share of the Province's Education Support Program and the requirements of the school divisions (located wholly or in part within the City) representing the portion of their costs that were determined to be the entire responsibility of the City. Levies for 2017 with 2016 comparative figures are as follows:

| | **2017** | 2016 |
|---|---|---|
| **Provincial education support program levy** | | |
| Other property | **$ 107,234,613** | $ 111,905,289 |
| **Special levies (by school division)** | | |
| Winnipeg | **178,368,654** | 171,800,610 |
| Louis Riel | **101,232,152** | 96,110,413 |
| Pembina Trails | **99,365,830** | 93,949,661 |
| River East - Transcona | **74,540,517** | 71,577,185 |
| St. James - Assiniboia | **54,363,784** | 51,077,403 |
| Seven Oaks | **47,296,093** | 44,649,621 |
| Seine River | **4,929,862** | 4,716,316 |
| Interlake | **37,632** | 36,157 |
| | **560,134,524** | 533,917,366 |
| | **$ 667,369,137** | $ 645,822,655 |
| **Allocated as follows:** | | |
| Realty taxes | **$ 636,895,910** | $ 614,843,895 |
| Payments-in-lieu of taxes | **30,473,227** | 30,978,760 |
| | **$ 667,369,137** | $ 645,822,655 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 5**

## 2017 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

*As at April 14, 2017*
*(unaudited)*

| | Portion | Taxable | Exempt Subject to Payments-in-Lieu | Exempt | Total |
|---|---|---|---|---|---|
| Residential 1 | 45.0% | $ 24,493,409,994 | $ 104,828,400 | $ 61,925,146 | $ 24,660,163,540 |
| Residential 2 | 45.0% | 3,367,967,431 | 337,302,000 | 4,527,770 | 3,709,797,201 |
| Residential 3 | 45.0% | 1,999,089,135 | - | 130,950 | 1,999,220,085 |
| Farm | 26.0% | 48,400,080 | 6,630,260 | 59,635,575 | 114,665,915 |
| Institutional | 65.0% | 821,139,867 | 100,977,666 | 1,791,978,473 | 2,714,096,006 |
| Pipelines | 50.0% | 15,837,810 | - | - | 15,837,810 |
| Railways | 25.0% | 81,701,638 | - | - | 81,701,638 |
| Designated recreational facilities | 10.0% | 13,829,384 | 678,180 | 2,540,770 | 17,048,334 |
| Other | 65.0% | 9,144,295,232 | 862,417,843 | 1,570,680,331 | 11,577,393,406 |
| Legislative building | 65.0% | - | 9,447,827 | - | 9,447,827 |
| | | $ 39,985,670,571 | $ 1,422,282,176 | $ 3,491,419,015 | $ 44,899,371,762 |

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

The General Capital Fund was created to account for tax-supported capital transactions of The City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements.

By December 31 of each year, City Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2017 budget for the General Capital Fund of $236.0 million was a 37.9% decrease from the 2016 budget of $379.9 million. Capital asset additions in 2017 relating to 2017 and previous years capital budgets, decreased from $262.5 million in 2016 to $258.1 million for a net decrease in asset additions of $4.3 million in 2017.

Of the $258.1 million of assets placed into service, $132.3 million was for Roads and Bridges, $43.7 million was for Buildings, $23.7 million was for Water and Waste infrastructure and $19.1 million was for Other Assets.

Included in the additions to major Roads and Bridges, Buildings, Water and Waste infrastructure projects during the year were the following:

| | | | |
|---|---|---|---|
| - Local Streets Renewal program | $ | 44.6 | million |
| - Developer Contributed Roads | $ | 29.9 | million |
| - Regional Streets Renewal program | $ | 23.1 | million |
| - Jonathan Toews Fieldhouse | $ | 20.2 | million |
| - Developer Contributed Underground Networks | $ | 18.3 | million |
| - Public Safety Radio System | $ | 13.3 | million |
| - City Hall Building Refurbishment | $ | 5.8 | million |
| - Transcona Centennial Pool | $ | 5.6 | million |
| - Pembina Highway Killarney to De Vos | $ | 4.7 | million |
| - Lyndale Drive Retaining Wall | $ | 4.6 | million |
| - Pembina Highway Grant to Osborne | $ | 4.3 | million |
| - Sand/Salt Storage Facility | $ | 4.2 | million |

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## FIVE-YEAR REVIEW

*December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Tangible Capital Assets** | **$ 3,783,556** | $ 3,669,779 | $ 3,545,245 | $ 3,378,941 | $ 3,221,647 |
| % change in tangible capital assets | **3.10%** | 3.51% | 4.92% | 4.88% | 6.85% |
| **Debt** | | | | | |
| Net Sinking Fund, serial and installment | **$ 469,663** | $ 483,609 | $ 449,085 | $ 406,859 | $ 253,163 |
| Other long-term debt | **212,870** | 199,721 | 205,193 | 200,903 | 223,046 |
| Total long-term debt | **$ 682,533** | $ 683,330 | $ 654,278 | $ 607,762 | $ 476,209 |
| % change in total debt | **(0.12%)** | 4.44% | 7.65% | 27.63% | 4.34% |
| **Interest Expense** | **$ 35,036** | $ 34,817 | $ 35,646 | $ 32,381 | $ 30,081 |
| % change in external interest expense | **0.63%** | (2.33%) | 10.08% | 7.65% | 19.05% |
| **Summary of Cash Flows** | | | | | |
| Operating activities | **$ 255,304** | $ 289,893 | $ 241,484 | $ 196,171 | $ 237,256 |
| Long-term debt (retired) issued, net | **$ (20,860)** | $ 37,800 | $ 1,528 | $ 130,388 | $ (1,758) |
| Payments to The Sinking Fund Trustees, net | **$ 22,799** | $ (6,308) | $ 47,954 | $ 24,962 | $ 33,876 |
| Due from/to General Revenue Fund | **$ 1,485** | $ (57,894) | $ 6,796 | $ (67,714) | $ 68,520 |
| Capital acquisitions | **$ (258,170)** | $ (262,471) | $ (296,946) | $ (279,819) | $ (334,055) |
| Other | **$ (558)** | $ (1,020) | $ (816) | $ (3,988) | $ (3,839) |

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Due from General Revenue Fund (Note 3) | **$ 20,427** | $ 21,912 |
| Accounts receivable (Note 4) | **77,435** | 63,086 |
| Capital loans receivable (Note 5) | **22,458** | 24,053 |
| | **120,320** | 109,051 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities (Note 6) | **15,744** | 14,947 |
| Expropriation liability | **48,178** | 42,373 |
| Deferred revenue | **3,070** | 2,994 |
| Deferred revenue related to capital assets (Note 7) | **36,011** | 24,673 |
| Debt (Note 8) | **682,533** | 683,330 |
| Deferred liabilities | **1,303** | 1,442 |
| Developer deposits | **7,267** | 6,634 |
| | **794,106** | 776,393 |
| ***NET FINANCIAL LIABILITIES*** | **(673,786)** | (667,342) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 9) | **3,783,556** | 3,669,779 |
| Prepaid expenses | **1,813** | 2,010 |
| | **3,785,369** | 3,671,789 |
| ***ACCUMULATED SURPLUS (Note 10)*** | **$ 3,111,583** | $ 3,004,447 |

Commitments (Note 11)

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***REVENUES*** | | |
| Transfers from other City of Winnipeg Funds (Schedule 2) | **$ 111,912** | $ 91,812 |
| Capital funding recognized (Note 7) | **52,811** | 78,408 |
| Transfer from General Revenue Fund | | |
| Debt and finance | **23,141** | 22,340 |
| Other | **1,752** | 1,202 |
| Province of Manitoba capital transfer | **77,832** | 68,444 |
| Developer contributions-in-kind | **72,901** | 48,872 |
| Interest income | **1,972** | 1,758 |
| Developer deposit | **1,384** | 4,674 |
| Government of Canada capital transfer | **1,018** | 6,417 |
| Gain on disposal of tangible capital assets | **-** | 268 |
| Other | **4,188** | 11,300 |
| | **348,911** | 335,495 |
| ***EXPENSES*** | | |
| Amortization | **143,111** | 136,503 |
| Grants | **24,165** | 24,552 |
| Interest - External debt | **35,036** | 34,817 |
| Infrastructure maintenance | **16,874** | 17,191 |
| Transfers to other City of Winnipeg Funds (Schedule 2) | **21,725** | 1,180 |
| Loss on disposal of tangible capital assets | **699** | - |
| Other | **165** | 4,743 |
| | **241,775** | 218,986 |
| ***NET SURPLUS FOR THE YEAR*** | **107,136** | 116,509 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | **3,004,447** | 2,887,938 |
| ***ACCUMULATED SURPLUS, END OF YEAR (Note 10)*** | **$ 3,111,583** | $ 3,004,447 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 107,136** | $ 116,509 |
| Non-cash charges to operations | | |
| Amortization | **143,111** | 136,503 |
| (Gain) loss on disposal of tangible capital assets | **699** | (268) |
| Working capital from operations | **250,946** | 252,744 |
| Net change in working capital | **(13,355)** | 10,504 |
| Net change in expropriation liabilities | **5,805** | 20,973 |
| Net change in deferred liabilities, deferred revenue and developer deposits | **11,908** | 5,672 |
| | **255,304** | 289,893 |
| ***FINANCING*** | | |
| Debt issued | **18,964** | 47,363 |
| Debenture debt retired | **(39,824)** | (9,563) |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | **(1,972)** | (1,758) |
| Payments (to)/from The Sinking Fund Trustees for outstanding long-term debt | **22,799** | (6,308) |
| Capital loans receivable | **1,595** | (282) |
| Due to General Revenue Fund | **1,485** | (57,894) |
| Other | **(764)** | (682) |
| | **2,283** | (29,124) |
| ***INVESTING*** | | |
| Net purchase of capital assets (Schedule 1) | **(258,170)** | (262,471) |
| Net proceeds on disposal of tangible capital assets | **583** | 1,702 |
| | **(257,587)** | (260,769) |
| Cash, end of year | **$ -** | $ - |

*See accompanying notes and schedules to the financial statements*

*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### *1. Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The General Capital Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The General Capital Fund was created to account for all financial transactions related to the City's tax-supported capital budget (excluding Transit).

#### b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

#### c) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Land improvements | 5 to 25 years |
| Buildings | 10 to 50 years |
| Machinery and equipment | 5 to 25 years |
| Vehicles | 5 to 10 years |
| Computer hardware and software | 5 to 10 years |
| Water and waste | |
| Underground networks | 10 to 100 years |
| Flood stations and other infrastructure | 20 to 75 years |
| Transportation | |
| Roads | 10 to 50 years |
| Bridges and structures | 25 to 75 years |

Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1 1/4% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by The City of Winnipeg.

## *1. Significant Accounting Policies (continued)*

### d) Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### e) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

### f) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### g) Service concession arrangement

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

### h) Deferred liabilities

Deferred liabilities consist of developer repayments as well as contributions received but not yet earned. Under the terms of development agreements, the City is required to repay developers for local improvements installed which benefit property outside the development area.

### i) Revenue recognition

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City’s behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

## 1. *Significant Accounting Policies (continued)*

### j) Debt and finance charges

Tax-supported tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund and the interest expense is recorded in the General Capital Fund.

## 2. *Status of the General Capital Fund*

The General Capital Fund was created to account for tax-supported capital transactions (excluding Transit) of the City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements, to name a few.

## 3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due (to) from" account when they are processed through the bank. The General Capital Fund charges interim financing on individual capital projects and credits the interest to the General Revenue Fund.

## 4. *Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Province of Manitoba | **$ 63,516** | $ 51,538 |
| Government of Canada | **998** | 5,060 |
| Local improvements - Fairfield Park | **1,064** | 1,125 |
| Other | **11,857** | 5,363 |
| | **$ 77,435** | $ 63,086 |

## 5. *Capital Loans Receivable*

At varying maturities up to the year 2035 with a weighted average interest rate for the year 2017 of 5.41% (2016 - 5.49%) due from the following:

| | **2017** | 2016 |
|---|---|---|
| Transit System | **$ 22,458** | $ 24,053 |

## 6. *Accounts Payable and Accrued Liabilities*

| | **2017** | 2016 |
|---|---|---|
| Trade accounts payable | **$ 11,725** | $ 11,838 |
| Contractors' holdbacks | **3,896** | 2,940 |
| Accrued interest payable | **123** | 169 |
| | **$ 15,744** | $ 14,947 |

## *7. Deferred Revenue Related to Capital Assets*

Deferred revenue related to capital assets represents funding transferred from the General Revenue, the Municipal Accommodations and the Transit System Funds for capital projects approved in the annual adopted capital budget. Revenue is recognized in the year in which the related capital costs are incurred on the project.

| | **2017** | 2016 |
|---|---|---|
| Beginning balance | **$ 24,673** | $ 19,011 |
| Contributions received from: | | |
| General Revenue Fund | **56,971** | 64,992 |
| Municipal Accommodations Fund | **5,192** | 1,905 |
| Transit System | **1,986** | 17,173 |
| | **64,149** | 84,070 |
| Deduct capital funding recognized | **52,811** | 78,408 |
| | **$ 36,011** | $ 24,673 |

## *8. Debt*

### Sinking fund debentures outstanding

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2017** | Amount of Debt 2016 |
|---|---|---|---|---|---|---|
| 1997-2017 | Nov. 17 | 6.250 | VU | 7000/97 | **$ -** | $ 30,000 |
| 2014-2045 | Jun. 1 | 4.100 | WD1 | 144/11, 23/13 and 149/13 | **60,000** | 60,000 |
| 2014-2045 | Jun. 1 | 3.713 | WD2 | 100/12, 23/13 and 149/13 | **60,000** | 60,000 |
| 2015-2045 | Jun. 1 | 3.828 | WD3 | 144/11, 100/12, 23/13, 149/13, 5/15 and 61/15 | **56,381** | 56,381 |
| 2016-2045 | Jun. 1 | 3.303 | WD4 | 72/06, 23/13, 149/13, 5/15, 96/15 and 40/16 | **47,363** | 47,363 |
| 2011-2051 | Nov. 15 | 4.300 | WC1 | 72/06, 183/08, and 150/09 | **20,250** | 20,250 |
| 2012-2051 | Nov. 15 | 3.853 | WC2 | 93/2011 | **50,000** | 50,000 |
| 2012-2051 | Nov. 15 | 3.759 | WC3 | 120/09, 93/11, and 138/11 | **75,000** | 75,000 |
| 2013-2051 | Nov. 15 | 4.300 | WC4 | 93/2011 and 84/2013 | **60,000** | 60,000 |
| 2014-2051 | Nov. 15 | 3.893 | WC4 | 93/2011 and 145/2013 | **52,568** | 52,568 |
| | | | | | **481,562** | 511,562 |
| Equity in Sinking Fund (Note 8b) | | | | | **(21,445)** | (42,272) |
| Net sinking fund debentures outstanding | | | | | **460,117** | 469,290 |

## 8. *Debt (continued)*

**Other long-term debt outstanding**

| | **2017** | 2016 |
|---|---|---|
| Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.40% (2016 - 4.30%) | **9,546** | 14,319 |
| Service concession arrangement obligations (Notes 8c and 11a) | **150,432** | 152,368 |
| Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.18% (2016 - 8.18%) (Note 8d) | **23,398** | 24,162 |
| Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72% | **6,428** | 7,020 |
| Toronto Dominion Bank fixed rate term loan, maturity December 22, 2027, interest rate of 2.87% | **17,000** | - |
| Tuxedo Yards development loan with an interest rate of 2.16% (2016 - 2.00%) | **5,507** | 7,819 |
| Garden City Community Centre grant loan with an interest rate of 4.16% | **5,328** | 5,463 |
| Transcona East End Community Centre grant loan with an interest rate of 4.00% | **2,813** | 2,889 |
| General Revenue Fund debt issued to mature 2031 with an interest rate of 2.90% | **1,964** | - |
| | **$ 682,533** | $ 683,330 |

Debt to be retired over the next five years:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ - | $ 481,562 |
| Serial and installment debt | 4,773 | 4,773 | - | - | - | - |
| Service concession arrangements | 2,093 | 2,264 | 2,449 | 2,648 | 2,863 | 138,115 |
| Capital lease obligations | 878 | 959 | 1,155 | 1,365 | 1,618 | 17,423 |
| CMHC | 614 | 637 | 661 | 686 | 711 | 3,119 |
| Toronto Dominion | 1,487 | 1,534 | 1,577 | 1,623 | 1,670 | 9,109 |
| Tuxedo Yards | 3,023 | 2,484 | - | - | - | - |
| General Revenue Fund | 146 | 146 | 146 | 146 | 146 | 1,234 |
| Community Centre Grants | 219 | 228 | 237 | 247 | 258 | 6,952 |
| | $ 13,233 | $ 13,025 | $ 6,225 | $ 6,715 | $ 7,266 | $ 657,514 |

## 8. *Debt (continued)*

a) All debentures are general obligations of the City. Debenture debt is allocated to the General Capital Fund and utilities in the amounts shown in the issuing by-law.

b) The City of Winnipeg Charter required the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. At the end of 2017, all outstanding debt that required annual payments by the City to The Sinking Fund Trustees has matured. Sinking fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg General Revenue Fund, on behalf of the General Capital Fund, is currently paying between one to two percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Service concession arrangement obligations

(i) Chief Peguis Trail Extension

The City has entered into a fixed-price contract with DBF2 Limited Partnership ("DBF2") to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The $107.7 million project will have been financed through a grant of $23.9 million from PPP Canada Inc., a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.1 million. As at December 31, 2017, $107.4 million was capitalized (Note 9). Monthly capital and interest performance-based payments totaling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $107.7 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make DBF2 a monthly performance-based maintenance payment as disclosed in Note 11.

(ii) Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP ("PRW") to design, build, finance and maintain the Disraeli Bridges Project. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges Project was commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge to follow in 2013.

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2017, $195.0 million was capitalized for commissioned works (Note 9). Monthly capital and interest performance-based payments totaling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

## 8. *Debt (continued)*

The City will also make PRW a monthly performance-based maintenance payment as disclosed in Note 11.

| | 2017 | 2016 |
|---|---|---|
| DBF2 - Chief Peguis Trail | **$ 46,881** | $ 47,509 |
| Plenary Roads Winnipeg GP - Disraeli Bridges | **103,551** | 104,859 |
| | **$ 150,432** | $ 152,368 |

d) Future minimum lease payments together with the balance of the obligation due under the capital leases are as follows:

| | | |
|---|---|---|
| | 2018 | $ 2,553 |
| | 2019 | 2,563 |
| | 2020 | 2,680 |
| | 2021 | 2,794 |
| | 2022 | 2,930 |
| | thereafter | 24,059 |
| Total future minimum lease payments | | 37,579 |
| Amount representing interest at a weighted average interest rate of 8.18% | | (14,181) |
| Balance of the capital lease obligations | | $ 23,398 |

## 9. *Tangible Capital Assets*

| | 2017 | 2016 |
|---|---|---|
| Land | **$ 236,734** | $ 226,966 |
| Buildings | **582,571** | 564,166 |
| Vehicles | **244** | 114 |
| Computer | **34,925** | 22,849 |
| Other | **118,561** | 111,382 |
| Plants and facilities | **29,863** | 29,931 |
| Roads | **1,379,475** | 1,319,528 |
| Underground and other networks | **823,144** | 817,502 |
| Bridges and other structures | **505,198** | 509,842 |
| Assets under construction | **72,841** | 67,499 |
| | **$ 3,783,556** | $ 3,669,779 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, there were no write-downs of tangible capital assets (2016 - $nil). Administration fees and interim financing charges capitalized during 2017 were $3.0 million (2016 - $3.1 million). In addition, land, roads, parks, recreation facilities and underground networks contributed to the City and recorded in the General Capital Fund totaled $72.9 million in 2017 (2016 - $48.9 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $273.6 million (2016 - $278.7 million) of tangible capital assets that were acquired through service concession arrangements. The amount includes estimated, yet to be determined settlements for land expropriations.

## *10. Accumulated Surplus*

Accumulated surplus is comprised of amounts invested in tangible capital assets.

## *11. Commitments*

### a) Service concession arrangements

(i) As disclosed in Note 8c, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment totaling $1.5 million annually is to be adjusted by CPI, is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

(ii) As disclosed in Note 8c, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totaling $1.8 million annually is to be adjusted by CPI, is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | General | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Vehicles | Computer | Other |
| **Cost** | | | | | |
| Balance, beginning of year | $ 226,966 | $ 896,486 | $ 14,761 | $ 109,190 | $ 204,815 |
| Add: Additions during the year | 10,327 | 43,691 | 58 | 19,082 | 23,544 |
| Less: Disposals during the year | 559 | 2,956 | 443 | 3,700 | - |
| Balance, end of year | 236,734 | 937,221 | 14,376 | 124,572 | 228,359 |
| **Accumulated amortization** | | | | | |
| Balance, beginning of year | - | 332,320 | 14,647 | 86,341 | 93,433 |
| Add: Amortization | - | 25,055 | 12 | 6,959 | 16,365 |
| Less: Accumulated amortization on disposals | - | 2,725 | 527 | 3,653 | - |
| Balance, end of year | - | 354,650 | 14,132 | 89,647 | 109,798 |
| **Net Book Value of Tangible Capital Assets** | $ 236,734 | $ 582,571 | $ 244 | $ 34,925 | $ 118,561 |

**Schedule 1**

| Infrastructure | | | | | Totals | |
|---|---|---|---|---|---|---|
| Plants and Facilities | Roads | Underground and Other Networks | Bridges and Other Structures | Assets Under Construction | **2017** | 2016 |
| $ 38,613 | $ 2,455,016 | $ 1,263,388 | $ 754,369 | $ 67,499 | **$ 6,031,103** | $ 5,789,258 |
| 492 | 124,627 | 23,288 | 7,719 | 5,342 | **258,170** | 262,471 |
| - | 2,681 | 792 | - | - | **11,131** | 20,626 |
| 39,105 | 2,576,962 | 1,285,884 | 762,088 | 72,841 | **6,278,142** | 6,031,103 |
| 8,682 | 1,135,488 | 445,886 | 244,527 | - | **2,361,324** | 2,244,013 |
| 560 | 64,399 | 17,398 | 12,363 | - | **143,111** | 136,503 |
| - | 2,400 | 544 | - | - | **9,849** | 19,192 |
| 9,242 | 1,197,487 | 462,740 | 256,890 | - | **2,494,586** | 2,361,324 |
| $ 29,863 | $ 1,379,475 | $ 823,144 | $ 505,198 | $ 72,841 | **$ 3,783,556** | $ 3,669,779 |

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

**Schedule 2**

## SCHEDULE OF TRANSFERS BETWEEN CITY OF WINNIPEG FUNDS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS*** | | |
| Federal Gas Tax Revenue Reserve | **$ 29,751** | $ 36,324 |
| Land Operating Reserve | **27,494** | 5,492 |
| Local Street Renewal Reserve | **24,745** | 19,788 |
| Regional Street Renewal Reserve | **20,252** | 14,500 |
| Municipal Accommodations Fund (Note 7) | **4,404** | 4,564 |
| Destination Marketing Reserve | **2,182** | 2,153 |
| Economic Development Investment Reserve | **2,072** | 2,477 |
| Transit System | **443** | 468 |
| Computer Replacement Reserve | **306** | 1,061 |
| Contributions in Lieu of Land Dedication Reserve | **230** | 767 |
| Commitment Reserve | **26** | 1,467 |
| Library Reserve | **7** | - |
| General Revenue Enterprise Fund | **-** | 1,219 |
| Sewer System Rehabilitation Reserve | **-** | 1,104 |
| Insurance Reserve | **-** | 428 |
| | **$ 111,912** | $ 91,812 |
| ***TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS*** | | |
| Sinking Fund | **$ 17,000** | $ - |
| General Revenue Fund | **3,417** | - |
| Sewage Disposal System | **1,127** | 447 |
| Waterworks System | **121** | 357 |
| Winnipeg Parking Authority | **60** | 5 |
| Fleet Management | **-** | 371 |
| | **$ 21,725** | $ 1,180 |

# THE CITY OF WINNIPEG
# FINANCIAL STABILIZATION RESERVE

The purpose of the Financial Stabilization Reserve Fund is to counteract the budgetary effect of fluctuations from year to year in property and business taxes and/or to fund deficits in the General Revenue Fund, which assist in the stabilization of the City's mill rate and/or property tax requirements.

History:

On May 16, 1973, City Council created the Future Tax Levies Reserve Fund to counteract the budgetary effect of fluctuations from year to year in tax revenue caused by additions and deletions to the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council approved the “Fiscal Stability Plan” which included the renaming of the Future Tax Levies Reserve Fund to the Fiscal Stabilization Reserve Fund and the creation of the Mill Rate Stabilization Reserve Fund (with initial funding from a portion of the former Future Tax Levies Reserve Fund). Rules regarding the sources of funds, purposes and utilization of funds were established for each Reserve. `

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

On April 25, 2001, City Council adopted the "Financial Management Plan". By 2009, this established a 10% minimum target of tax-supported (General Revenue Fund) expenditures for the Stabilization Reserves.

A review of Reserves followed the "Financial Management Plan’s" adoption and, on May 23, 2001, City Council amended the rules for the Stabilization Reserves.

On March 22, 2005, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset variances between the revenue projections for net supplementary taxes used in the budget and the actual amounts reported.

On March 23, 2011, City Council adopted the "Financial Management Plan" which revised the target for the two Stabilization Reserves to a minimum of 8% of tax-supported expenditures.

On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.

- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.

- No transfers can be made to the General Revenue Fund to fund ongoing current operations.

- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.

- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

On March 23, 2015, City Council adopted the "Financial Management Plan" which revised the target for the Financial Stabilization Reserve to a minimum of 6% of tax-supported expenditures.

The Chief Financial Officer is the Fund Manager.

## FIVE-YEAR REVIEW

*December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| General Revenue Fund's adopted budget expense | **$ 1,079,509** | $ 1,055,130 | $ 994,097 | $ 969,184 | $ 922,672 |
| Equity | **$ 79,764** | $ 67,410 | $ 75,632 | $ 81,785 | $ 85,753 |
| Level (1) | **7.4%** | 6.4% | 7.6% | 8.4% | 9.3% |
| Over target (2) | **$ 14,994** | $ 4,103 | $ 15,986 | $ 4,250 | $ 11,939 |

(1) Level represents the Reserve's equity as a percentage of the General Revenue Fund's adopted budget expenses.

(2) The residual values for 2013-2014 are based on the Reserve's equity which is over/(under) 8% of the General Revenue Fund's adopted budget expenses. For 2015 onward, the target is 6%.

# THE CITY OF WINNIPEG
# FINANCIAL STABILIZATION RESERVE

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Due from General Revenue Fund (Note 3) | **$ 79,764** | $ 67,410 |
| ***EQUITY*** | | |
| Unallocated | **$ 79,764** | $ 67,410 |

*See accompanying notes to the financial statements*

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# THE CITY OF WINNIPEG
# FINANCIAL STABILIZATION RESERVE

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 67,410** | $ 75,632 |
| Add: | | |
| Transfer from General Revenue Fund | **14,978** | - |
| Interest earned | **660** | - |
| Transfer from Commitment Reserve | **16** | 128 |
| Net realty taxes added to the assessment roll | **(169)** | - |
| | **15,485** | 128 |
| Deduct: | | |
| Transfer to General Revenue Fund | **2,866** | 8,350 |
| Transfer to General Revenue Fund - investment management fee | **265** | - |
| | **3,131** | 8,350 |
| Balance, end of year | **$ 79,764** | $ 67,410 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# FINANCIAL STABILIZATION RESERVE

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(unaudited)*

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**a) Basis of presentation**

The Financial Stabilization Reserve Fund follows th`
segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**b) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### 2. *Status of the Financial Stabilization Reserve*

On May 16, 1973, City Council created the Future Tax Levies Reserve Fund to counteract the budgetary effect of fluctuations from year to year in tax revenue caused by additions and deletions to the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council approved the “Fiscal Stability Plan” which included the renaming of the Future Tax Levies Reserve Fund to the Fiscal Stabilization Reserve Fund and the creation of the Mill Rate Stabilization Reserve Fund (with initial funding from a portion of the former Future Tax Levies Reserve Fund). Rules regarding the sources of funds, purposes and utilization of funds were established for each Reserve.

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

On April 25, 2001, City Council adopted the "Financial Management Plan". By 2009, this established a 10% minimum target of tax-supported (General Revenue Fund) expenditures for the Stabilization Reserves.

A review of Reserves followed the "Financial Management Plan’s" adoption and, on May 23, 2001, City Council amended the rules for the Stabilization Reserves.

On March 22, 2005, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset variances between the revenue projections for net supplementary taxes used in the budget and the actual amounts reported.

On March 23, 2011, City Council adopted the "Financial Management Plan" which revised the target for the two Stabilization Reserves to a minimum of 8% of tax-supported expenditures.

## 2. *Status of the Financial Stabilization Reserve (continued)*

On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.

- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.

- No transfers can be made to the General Revenue Fund to fund ongoing current operations.

- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.

- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

On March 23, 2015, City Council adopted the "Financial Management Plan" which revised the target for the Financial Stabilization Reserve to a minimum of 6% of tax-supported expenditures.

The Chief Financial Officer is the Fund Manager.

## 3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

The City of Winnipeg ("the City") operates fourteen Capital Reserves to account for the use of designated revenue for specific purposes. The fourteen funds included are as follows:

**Water Main Renewal Reserve Fund**

On February 18, 1981, City Council authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of $2.0 million of frontage levy revenue from the Waterworks System Fund. From 1974 through to 2008, the City used a frontage levy to fund water main renewals.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected on property taxes would be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the Water Main Renewal Reserve Fund is fully funded through water rates transferred from the Waterworks System Fund as well as interest earned on the reserve fund balance.

The Director of Water and Waste is the Fund Manager.

**Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds. These Reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, with funding provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserves was to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements.

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, frontage levy revenue collected on property taxes would no longer fund the Sewer System Rehabilitation Reserve as of 2011. Therefore, the Sewer System Rehabilitation Reserve is fully funded through sewer rates transferred from the Sewer Disposal System Fund as well as interest earned on the reserve fund balance.

The Director of Water and Waste is the Fund Manager.

### Environmental Projects Reserve Fund

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal, CSO mitigation infrastructure and biosolids.

River quality is under the jurisdiction of the Province and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50-year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25-year period, which was subsequently ordered by the Minister of Conservation on September 26, 2003.

On September 3, 2004, the Province issued Environment Act License No. 2669 for the West End Water Pollution Control Centre, which provided for the plan as directed by the Minister of Conservation. Certain provisions of this license were appealed by the City. Revised License No. 2669 E R R and No. 2684 R R R, for the North End Water Pollution Control Center, were issued on June 19, 2009, incorporating the City's requested changes. On March 3, 2006, a similar license (No. 2716) was issued for the South End Water Pollution Control Centre. Effective April 18, 2012, the South End Water Pollution Control Centre license (No. 2716RR) was revised in response to the Save Lake Winnipeg Act requirement. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

The Director of Water and Waste is the Fund Manager.

### Brady Landfill Site Rehabilitation Reserve Fund

On December 17, 1993, City Council authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site. The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill.

The Director of Water and Waste is the Fund Manager.

### Waste Diversion Reserve Fund

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

The Director of Water and Waste is the Fund Manager.

## Golf Course Reserve Fund

The Golf Course Reserve Fund was created by City Council on April 28, 1994, to provide funding for enhancements to the Municipal Golf Courses in order to keep them competitive with those in the private sector.

The Director of Planning, Property and Development is the Fund Manager.

## Transit Bus Replacement Reserve Fund

On December 15, 1994, City Council approved the establishment of the Transit Bus Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement or refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and insurance claims on bus equipment written off. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards that purchase.

The Director of Transit is the Fund Manager.

## Computer Replacement Reserve Fund

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income.

The Chief Innovation Officer is the Fund Manager.

## Federal Gas Tax Revenue Reserve Fund

City Council, on January 25, 2006, authorized the establishment of the Federal Gas Tax Revenue Reserve Fund. The purpose of the Reserve is to account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under this deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are intended specifically for eligible projects such as: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement was effective as of April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

On July 16, 2014 City Council authorized that the purpose of the Federal Gas Tax Revenue Reserve be amended to include 18 project categories as listed in Schedule 1 of the most recent Manitoba-City of Winnipeg Municipal Gas Tax Agreement to administer the Canada-Manitoba Administrative Agreement on the Transfer of Federal Gas Tax Revenue. The list of eligible project categories includes local roads and bridges, broadband connectivity, public transit, drinking water, wastewater, solid waste, brownfield redevelopment, sport infrastructure, recreational infrastructure and cultural infrastructure.

The Director of Public Works is the Fund Manager.

**Southwest Rapid Transit Corridor Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose has been revised to: a) accumulate capital funds and subsequently expend such funds on future costs incurred on account of public transit infrastructure, and more specifically, the construction of the Southwest Rapid Transit Corridor - Stage 2, and the purchase of vehicles associated with Stage 2, contemplated in the future; b) contribute to the proposed Jubilee Rapid Transit Station if net proceeds of the disposition of the subject City property are insufficient to cover the City's share, as approved by City Council on October 24, 2012; c) pay for any residual land acquisition settlements for the Southwest Rapid Transit Corridor - Stage 1 project; and d) pay for the ongoing replacement of the 10 buses purchased for the Southwest Rapid Transit Corridor Stage 1 project.

On March 23, 2015 City Council approved that the Reserve be renamed the Southwest Rapid Transit Corridor Reserve.

The Director of Transit is the Fund Manager.

**Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve**

On March 23, 2015 City Council approved the establishment of the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve. The purpose of the Reserve is to set aside funding for the P3 annual service/financing payment commencing in 2020 for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass capital project.

On March 22, 2016 City Council approved an amendment to the funding source to be a combination of the dedicated property tax revenue transferred from the General Revenue fund, an annual transfer of $1.7 million per year from the Transit System Fund starting in 2016 and an annual grant from the Province starting in 2020.

### Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve (continued)

In 2017 the Province advised that the funding formula for the Transit department had changed and the annual grant for this project was eliminated. The funding source for this Reserve has been subsequently revised to be solely the dedicated property tax revenue transferred from the General Revenue fund.

The Director of Transit is the Fund Manager.

### Local Street Renewal Reserve Fund

The Local Street Renewal Reserve was established in 2013 to increase investment in local streets, lanes and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Local Street Renewal Reserve for purposes other than local streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

### Regional Street Renewal Reserve Fund

The Regional Street Renewal Reserve was established in 2014 to increase investment in regional streets and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for regional streets. Use of the Regional Street Renewal Reserve for purposes other than regional streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

### Impact Fee Reserve Fund

On October 26, 2016, Council approved the establishment of the Impact Fee Reserve to fund growth-related capital projects approved by the Chief Financial Officer with consideration to the input provided by the Impact Fee Working Group, as well as to pay the costs of administering the Impact Fee By-law and Reserve Fund. All funds generated by the impact fee are to be deposited into the Reserve. Use of the Impact Fee Reserve for purposes other than those set out in Council's October 26, 2016 resolution require a 2/3 vote of Council.

The Chief Financial Officer is the Fund Manager.

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## FIVE-YEAR REVIEW

*December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Water Main Renewal Reserve Fund** | | | | | |
| Water main renewals funded | **$ 19,817** | $ 16,081 | $ 14,927 | $ 16,314 | $ 12,182 |
| Kilometres of water mains | **2,660** | 2,637 | 2,614 | 2,592 | 2,585 |
| Water main repairs | **236** | 268 | 317 | 777 | 695 |
| **Sewer System Rehabilitation Reserve Fund** | | | | | |
| Sewer renewals funded | **$ 22,266** | $ 25,594 | $ 16,331 | $ 23,164 | $ 25,653 |
| Kilometres of sewers | **2,640** | 2,722 | 2,608 | 2,583 | 2,579 |
| Kilometres of sewers renewed | **0.11** | 0.23 | 0.39 | 0.38 | 1.16 |
| **Environmental Projects Reserve Fund** | | | | | |
| Transfer from Sewage Disposal System | **$ 18,367** | $ 16,739 | $ 16,838 | $ 16,486 | $ 15,986 |
| Transfer to Sewage Disposal System - capital projects | **$ 17,860** | $ 6,836 | $ 6,761 | $ 11,277 | $ 7,991 |
| **Brady Landfill Site Rehabilitation Reserve Fund** | | | | | |
| Transfer from Solid Waste Disposal | **$ 348** | $ 357 | $ 175 | $ 174 | $ 173 |
| **Waste Diversion Reserve** | | | | | |
| Transfer from Solid Waste Disposal | **$ 1,000** | $ 4,500 | $ 1,000 | $ 1,000 | $ 1,625 |
| **Golf Course Reserve Fund** | | | | | |
| Equity | **$ -** | $ 343 | $ 453 | $ 496 | $ 1,325 |
| **Transit Bus Replacement Reserve Fund** | | | | | |
| Transfer from/(to) Transit System, net | **$ (5,010)** | $ 4,690 | $ (5,243) | $ 9,521 | $ 451 |
| Number of buses financed | **25** | 13 | 45 | - | 29 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## FIVE-YEAR REVIEW (continued)

*December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Computer Replacement Reserve Fund** | | | | | |
| Allocation of equity: | | | | | |
| Corporate Support Services | **$ 658** | $ 186 | $ 1,018 | $ 1,016 | $ 900 |
| Community Services | **43** | 78 | 123 | 107 | 97 |
| Public Works | **190** | 123 | 40 | 29 | 188 |
| Planning, Property and Development | **76** | 88 | 79 | 69 | 63 |
| | **$ 967** | $ 475 | $ 1,260 | $ 1,221 | $ 1,248 |
| **Federal Gas Tax Revenue Reserve Fund** | | | | | |
| Government of Canada funding | **$ 38,959** | $ 39,840 | $ 47,452 | $ 41,014 | $ 40,452 |
| Transfer to General Capital Fund | **$ 29,751** | $ 36,323 | $ 41,690 | $ 39,952 | $ 33,710 |
| Transfer to Transit System - capital projects | **$ 9,208** | $ 3,517 | $ 5,762 | $ 1,062 | $ 12,926 |
| **Southwest Rapid Transit Corridor Reserve Fund** | | | | | |
| Transfer from/(to) Transit System, net | **$ -** | $ (523) | $ (4,200) | $ - | $ (1,094) |
| **Local Street Renewal Reserve Fund** | | | | | |
| Transfer from General Revenue Fund | **$ 24,370** | $ 19,000 | $ 14,100 | $ 9,200 | $ 4,500 |
| Transfer to General Capital Fund | **$ 23,278** | $ 18,375 | $ 12,663 | $ 8,211 | $ 4,000 |
| **Regional Street Renewal Reserve Fund** | | | | | |
| Transfer from General Revenue Fund | **$ 19,870** | $ 14,500 | $ 9,600 | $ 4,700 | $ - |
| Transfer to General Capital Fund | **$ 18,937** | $ 13,405 | $ 8,519 | $ 4,325 | $ - |
| **Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve Fund** | | | | | |
| Transfer from/(to) Transit System, net | **$ 3,303** | $ 1,700 | $ - | $ - | $ - |
| **Impact Fee Reserve** | | | | | |
| Impact Fees collected | **$ 4,097** | $ - | $ - | $ - | $ - |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Water Main Renewal Reserve | Sewer System Rehabilitation Reserve | Environmental Projects Reserve | Brady Landfill Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | $ 2,279 | $ 6,546 | $ 93,934 | $ 2,578 |
| Call loans - General Revenue Fund (Note 4) | - | - | - | 257 |
| Accounts receivable | - | - | - | 53 |
| | 2,279 | 6,546 | 93,934 | 2,888 |
| Investments (Note 5) | - | - | - | 4,533 |
| | $ 2,279 | $ 6,546 | $ 93,934 | $ 7,421 |
| ***LIABILITIES*** | | | | |
| Accounts payable | $ - | $ - | $ - | $ - |
| Deferred revenue | - | - | - | - |
| Debt | - | - | - | - |
| | - | - | - | - |
| ***EQUITY*** | | | | |
| Allocated | 2,279 | 6,546 | 93,934 | 7,420 |
| Unallocated | - | - | - | 1 |
| | 2,279 | 6,546 | 93,934 | 7,421 |
| | $ 2,279 | $ 6,546 | $ 93,934 | $ 7,421 |

*See accompanying notes to the financial statements*

| Waste Diversion Reserve | Golf Course Reserve | Transit Bus Replacement Reserve | Computer Replacement Reserve | Federal Gas Tax Reserve | Sub-total |
|---|---|---|---|---|---|
| $ 7,202 | $ - | $ 11,281 | $ 967 | $ 20,774 | $ 145,561 |
| - | - | - | - | - | 257 |
| - | - | - | - | - | 53 |
| 7,202 | - | 11,281 | 967 | 20,774 | 145,871 |
| - | - | - | - | - | 4,533 |
| $ 7,202 | $ - | $ 11,281 | $ 967 | $ 20,774 | $ 150,404 |
| $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | 20,539 | 20,539 |
| - | - | - | - | - | - |
| - | - | - | - | 20,539 | 20,539 |
| 7,202 | - | 11,246 | 967 | - | 129,594 |
| - | - | 35 | - | 235 | 271 |
| 7,202 | - | 11,281 | 967 | 235 | 129,865 |
| $ 7,202 | $ - | $ 11,281 | $ 967 | $ 20,774 | $ 150,404 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Sub-total Brought Forward | SWRT Corridor Reserve | SWRT Payment Reserve | Local Street Renewal Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | $ 145,561 | $ 4,220 | $ 5,016 | $ 180 |
| Call loans - General Revenue Fund (Note 4) | 257 | - | - | - |
| Accounts receivable | 53 | - | - | - |
| | 145,871 | 4,220 | 5,016 | 180 |
| Investments (Note 5) | 4,533 | - | - | - |
| | $ 150,404 | $ 4,220 | $ 5,016 | $ 180 |
| ***LIABILITIES*** | | | | |
| Accounts payable | $ - | $ - | $ - | $ 86 |
| Deferred revenue | 20,539 | - | - | - |
| Debt | - | - | - | - |
| | 20,539 | - | - | 86 |
| ***EQUITY*** | | | | |
| Allocated | 129,594 | 2,650 | 5,016 | 94 |
| Unallocated | 271 | 1,570 | - | - |
| | 129,865 | 4,220 | 5,016 | 94 |
| | $ 150,404 | $ 4,220 | $ 5,016 | $ 180 |

*See accompanying notes to the financial statements*

| Regional Street Renewal Reserve | | Impact Fee Reserve | | Totals 2017 | | Totals 2016 | |
|---|---|---|---|---|---|---|---|
| $ | 190 | $ | 4,102 | $ | 159,269 | $ | 158,808 |
| | - | | - | | 257 | | 693 |
| | - | | - | | 53 | | 47 |
| | 190 | | 4,102 | | 159,579 | | 159,548 |
| | - | | - | | 4,533 | | 3,646 |
| $ | 190 | $ | 4,102 | $ | 164,112 | $ | 163,194 |
| $ | 76 | $ | - | $ | 162 | $ | 181 |
| | - | | - | | 20,539 | | 17,043 |
| | - | | - | | - | | - |
| | 76 | | - | | 20,701 | | 17,224 |
| | 114 | | - | | 137,468 | | 140,446 |
| | - | | 4,102 | | 5,943 | | 5,524 |
| | 114 | | 4,102 | | 143,411 | | 145,970 |
| $ | 190 | $ | 4,102 | $ | 164,112 | $ | 163,194 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Water Main Renewal Reserve | Sewer System Rehabilitation Reserve | Environmental Projects Reserve | Brady Landfill Reserve |
|---|---|---|---|---|
| Balance, beginning of year | $ 5,582 | $ 9,826 | $ 93,167 | $ 6,609 |
| Add: | | | | |
| Government of Canada transfers | - | - | - | - |
| Transfer from Sewage Disposal System | - | 19,000 | 18,367 | - |
| Transfer from Waterworks System | 16,500 | - | - | - |
| Transfer from Transit System | - | - | - | - |
| Interest earned | 34 | (2) | 649 | 155 |
| Transfer from General Revenue Fund | - | - | - | - |
| Transfer from Solid Waste Disposal | - | - | - | 348 |
| Transfer from Municipal Accommodations | - | - | - | - |
| Transfer from Golf Services SOA | - | - | - | - |
| Other | - | - | - | 338 |
| | 16,534 | 18,998 | 19,016 | 841 |
| Deduct: | | | | |
| Transfer to General Capital Fund | - | - | - | - |
| Transfer to Transit System | - | - | - | - |
| Transfer to Sewage Disposal System | - | 22,265 | 17,860 | - |
| Transfer to Waterworks System | 19,817 | - | - | - |
| Purchase of equipment | - | - | - | - |
| Transfer to General Revenue Fund - investment management fee | 20 | 13 | 389 | 29 |
| Transfer to General Capital Fund - principal and interest | - | - | - | - |
| Transfer to Solid Waste Disposal | - | - | - | - |
| Transfer to Golf Services SOA | - | - | - | - |
| Other | - | - | - | - |
| | 19,837 | 22,278 | 18,249 | 29 |
| Balance, end of year | $ 2,279 | $ 6,546 | $ 93,934 | $ 7,421 |

*See accompanying notes to the financial statements*

| Waste Diversion Reserve | Golf Course Reserve | Transit Bus Replacement Reserve | Computer Replacement Reserve | Federal Gas Tax Reserve | Sub-total |
|---|---|---|---|---|---|
| $ 6,612 | $ 343 | $ 16,250 | $ 475 | $ 182 | $ 139,046 |
| | | | | | |
| - | - | - | - | 38,959 | 38,959 |
| - | - | - | - | - | 37,367 |
| - | - | - | - | - | 16,500 |
| - | - | 160 | - | - | 160 |
| 42 | 1 | 105 | 7 | 52 | 1,043 |
| - | - | - | 978 | - | 978 |
| 1,000 | - | - | - | - | 1,348 |
| - | - | - | 19 | - | 19 |
| - | - | - | - | - | - |
| - | - | - | - | - | 338 |
| 1,042 | 1 | 265 | 1,004 | 39,011 | 96,712 |
| | | | | | |
| - | - | - | - | 29,751 | 29,751 |
| - | - | 5,170 | - | 9,208 | 14,378 |
| - | - | - | - | - | 40,125 |
| - | - | - | - | - | 19,817 |
| - | - | - | 202 | - | 202 |
| 26 | | 64 | 4 | - | 545 |
| - | - | - | 306 | - | 306 |
| 426 | - | - | - | - | 426 |
| - | 344 | - | - | - | 344 |
| - | - | - | - | (1) | (1) |
| 452 | 344 | 5,234 | 512 | 38,958 | 105,893 |
| $ 7,202 | $ - | $ 11,281 | $ 967 | $ 235 | $ 129,865 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Sub-total Brought Forward | SWRT Corridor Reserve | SWRT Payment Reserve | Local Street Renewal Reserve |
|---|---|---|---|---|
| Balance, beginning of year | **$ 139,046** | **$ 4,209** | **$ 1,700** | **$ 438** |
| Add: | | | | |
| Government of Canada transfers | **38,959** | **-** | **-** | **-** |
| Transfer from Sewage Disposal System | **37,367** | **-** | **-** | **-** |
| Transfer from Waterworks System | **16,500** | **-** | **-** | **-** |
| Transfer from Transit System | **160** | **-** | **3,400** | **-** |
| Interest earned | **1,043** | **28** | **27** | **65** |
| Transfer from General Revenue Fund | **978** | **-** | **-** | **24,370** |
| Transfer from Solid Waste Disposal | **1,348** | **-** | **-** | **-** |
| Transfer from Municipal Accommodations | **19** | **-** | **-** | **-** |
| Transfer from Golf Services SOA | **-** | **-** | **-** | **-** |
| Other | **338** | **-** | **-** | **-** |
| | **96,712** | **28** | **3,427** | **24,435** |
| Deduct: | | | | |
| Transfer to General Capital Fund | **29,751** | **-** | **-** | **23,278** |
| Transfer to Transit System | **14,378** | | **97** | **-** |
| Transfer to Sewage Disposal System | **40,125** | **-** | **-** | **-** |
| Transfer to Waterworks System | **19,817** | **-** | **-** | **-** |
| Purchase of equipment | **202** | **-** | **-** | **-** |
| Transfer to General Revenue Fund - investment management fee | **545** | **17** | **14** | **32** |
| Transfer to General Capital Fund - principal and interest | **306** | **-** | **-** | **1,467** |
| Transfer to Solid Waste Disposal | **426** | **-** | **-** | **-** |
| Transfer to Golf Services SOA | **344** | **-** | **-** | **-** |
| Other | **(1)** | **-** | **-** | **2** |
| | **105,893** | **17** | **111** | **24,779** |
| | **-** | | | |
| Balance, end of year | **$ 129,865** | **$ 4,220** | **$ 5,016** | **$ 94** |

*See accompanying notes to the financial statements*

| Regional Street Renewal Reserve | Impact Fee Reserve | Totals 2017 | Totals 2016 |
|---|---|---|---|
| **$ 576** | **$ -** | **$ 145,969** | $ 135,829 |
| | | | |
| **-** | **-** | **38,959** | 39,840 |
| **-** | **-** | **37,367** | 32,739 |
| **-** | **-** | **16,500** | 16,500 |
| **-** | **-** | **3,560** | 8,258 |
| **(79)** | **10** | **1,094** | 757 |
| **19,870** | **-** | **45,218** | 35,241 |
| **-** | **-** | **1,348** | 4,857 |
| **-** | **-** | **19** | 11 |
| **-** | **-** | **-** | 140 |
| **-** | **4,097** | **4,435** | 475 |
| **19,791** | **4,107** | **148,500** | 138,818 |
| | | | |
| **18,938** | **-** | **71,967** | 69,208 |
| **-** | **-** | **14,475** | 5,908 |
| **-** | **-** | **40,125** | 31,327 |
| **-** | **-** | **19,817** | 16,081 |
| **-** | **-** | **202** | 1,476 |
| **1** | **5** | **614** | 549 |
| **1,314** | **-** | **3,087** | 3,569 |
| **-** | **-** | **426** | 258 |
| **-** | **-** | **344** | 250 |
| **-** | **-** | **1** | 51 |
| **20,253** | **5** | **151,058** | 128,677 |
| **$ 114** | **$ 4,102** | **$ 143,411** | $ 145,970 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**a) Basis of presentation**

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Water Main Renewal Reserve Fund
Sewer System Rehabilitation Reserve Fund
Environmental Projects Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund
Waste Diversion Reserve Fund
Golf Course Reserve Fund
Transit Bus Replacement Reserve Fund
Impact Fee Reserve Fund
Computer Replacement Reserve Fund
Federal Gas Tax Revenue Reserve Fund
Southwest Rapid Transit Corridor Reserve Fund
Southwest Rapid Transitway (Stage 2) and Pembina Hwy Underpass Pmt Reserve Fund
Local Street Renewal Reserve Fund
Regional Street Renewal Reserve

**b) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

**c) Investment in bonds**

Bonds are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received result in a constant effective yield on the amortized book value.

**d) Bond coupons**

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

**e) Deferred revenue**

The City of Winnipeg ("the City") receives funds dedicated to the acquisition of specific tangible capital assets. When capital funds are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

## 1. *Significant Accounting Policies (continued)*

### f) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

## 2. *Status of the Capital Reserves*

### Water Main Renewal Reserve Fund

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of $2.0 million of frontage levy revenue from the Waterworks System Fund.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected from property taxes would be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

### Sewer System Rehabilitation Reserve Fund

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the rehabilitation of combined sewers. City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers. Funding for both Reserves was provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes was phased out as of 2011. The frontage levy is being reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. The sources of funding for the Sewer System Disposal System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

## 2. *Status of the Capital Reserves (continued)*

**Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects funded by this Reserve.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal, CSO mitigation infrastructure and biosolids.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2017 sewer rate includes a provision of 0.3100 cents (2016 - 0.3100 cents) per cubic meter of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of $1.00 (2016 - 1 dollar) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Waste Diversion Reserve Fund**

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

The Director of Water and Waste is the Fund Manager.

**Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve Fund for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency.

The Director of Planning, Property and Development is the Fund Manager.

## 2. *Status of the Capital Reserves (continued)*

**Transit Bus Replacement Reserve Fund**

On December 15, 1994, City Council approved the establishment of the Transit Bus Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement or refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and insurance claims on bus equipment written off. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards that purchase.

The Director of Transit is the Fund Manager.

**Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income.

The Chief Innovation Officer is the Fund Manager.

**Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of a Federal Gas Tax Revenue Reserve Fund. The purpose of this Reserve is to administer and account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

On July 16, 2014 City Council authorized that the purpose of the Federal Gas Tax Revenue Reserve be amended to include 18 project categories as listed in Schedule 1 of the most recent Manitoba-City of Winnipeg Municipal Gas Tax Agreement to administer the Canada-Manitoba Administrative Agreement on the Transfer of Federal Gas Tax Revenue. The list of eligible project categories includes local roads and bridges, broadband connectivity, public transit, drinking water, wastewater, solid waste, brownfield redevelopment, sport infrastructure, recreational infrastructure and cultural infrastructure.

The Director of Public Works is the Fund Manager.

**Southwest Rapid Transit Corridor Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve Fund be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose has been revised to: a) accumulate capital funds and subsequently expend such funds on future costs incurred on account of public transit infrastructure, and more specifically, the construction of the Southwest Rapid Transit Corridor - Stage 2, and the purchase of vehicles associated with Stage 2, contemplated in the future; b) contribute to the proposed Jubilee Rapid Transit Station if net proceeds of the disposition of the subject City property are insufficient to cover the City's share, as approved by City Council on October 24, 2012; c) pay for any residual land acquisition settlements for the Southwest Rapid Transit Corridor - Stage 1 project; and d) pay for the ongoing replacement of the 10 buses purchased for the Southwest Rapid Transit Corridor Stage 1 project.

On March 23, 2015 City Council approved that the Reserve be renamed the Southwest Rapid Transit Corridor Reserve.

The Director of Transit is the Fund Manager.

**Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve Fund**

On March 23, 2015 City Council approved the establishment of the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve. The purpose of the Reserve is to set aside funding for the P3 annual service/financing payment commencing in 2020 for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass capital project.

On March 22, 2016 City Council approved an amendment to the funding source to be a combination of the dedicated property tax revenue transferred from the General Revenue fund, an annual transfer of $1.7 million per year from the Transit System Fund starting in 2016 and an annual grant from the Province starting in 2020.

In 2017 the Province advised that the funding formula for the Transit department had changed and the annual grant for this project was eliminated. The funding source for this Reserve has been subsequently revised to be solely the dedicated property tax revenue transferred from the General Revenue fund.

The Director of Transit is the Fund Manager.

**Local Street Renewal Reserve Fund**

The Local Street Renewal Reserve was established in 2013 to increase investment in local streets, lanes and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Local Street Renewal Reserve for purposes other than local streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

## *2. Status of the Capital Reserves (continued)*

**Impact Fee Reserve Fund**

On October 26, 2016, Council approved the establishment of the Impact Fee Reserve to fund growth-related capital projects approved by the Chief Financial Officer with consideration to the input provided by the Impact Fee Working Group, as well as to pay the costs of administering the Impact Fee By-law and Reserve Fund. All funds generated by the impact fee are to be deposited into the Reserve. Use of the Impact Fee Reserve for purposes other than those set out in Council's October 26, 2016 resolution require a 2/3 vote of Council.

The Chief Financial Officer is the Fund Manager.

**Regional Street Renewal Reserve Fund**

The Regional Street Renewal Reserve was established in 2014 to increase investment in regional streets and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Regional Street Renewal Reserve for purposes other than regional streets or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

## *3. Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

## *4. Call Loans - General Revenue Fund*

Call loans represent short-term investments with the General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

## *5. Investments*

| | **2017** | 2016 |
|---|---|---|
| Marketable securities | | |
| Municipal bonds | **$ 4,533** | $ 2,149 |
| Provincial bonds and bond coupons | **-** | 1,497 |
| | **$ 4,533** | $ 3,646 |

The aggregate market value of marketable securities at December 31, 2017 was $4,626 thousand (2016 - $3,738 thousand).

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

The City of Winnipeg ("the City") operates eighteen Special Purpose Reserves to account for the use of designated revenue for specific purposes. These Reserves are as follows:

**Workers Compensation Reserve Fund**

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of the amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former City of Winnipeg Act.

The City administers its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

On April 29, 2015, Council approved an amendment to the purpose of the Workers Compensation Reserve
1) to include Permanent Partial Impairment awards for occupational disease claims and
2) that pension surplus/deficit from Workers Compensation Board be accounted for in the Workers Compensation Reserve.

The Corporate Controller is the Fund Manager.

**Perpetual Maintenance Funds**
**(Brookside, St. Vital and Transcona Cemeteries)**

The terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to the City. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, The City of Winnipeg Act was replaced with new legislation entitled The City of Winnipeg Charter. Under this new legislation the investment and administration of the funds has been transferred to the City's administration.

The Director of Planning, Property and Development is the Funds Manager.

**Insurance Reserve Fund**

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

**Contributions in Lieu of Land Dedication Reserve Fund**

On January 10, 1973, City Council adopted the policy that cash payments received by the City in lieu of land dedication for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended that policy to permit proceeds from the sale of surplus Parks and Recreation lands to be deposited to the Contributions in Lieu of Land Dedication Reserve Fund account of the respective community. On September 19, 1990, City Council adopted the recommendation that revenue would be apportioned amongst the communities on the basis of 75% to the account of the community in which the revenue was collected and 25% to be divided equally amongst all communities. This change was phased in over three years commencing in 1991.

Expenses are limited to the acquisition or improvement of land for parks, recreation facilities, or open space.

The Director of Planning, Property and Development is the Fund Manager.

**Land Operating Reserve Fund**

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale.

Disbursements from this Reserve are limited to the acquisition cost of properties for resale, and any other expenses directly related to the acquisition, sale and improvement of disposable City properties. Use of the Reserve's funds for any other purpose requires the authorization of City Council. This Reserve is maintained by the proceeds from the sale of City-owned properties and interest earned.

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program, another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands and 15% is allocated to the Community Centre Renovation Grant Program annually, subject to Council approval.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Director of Planning, Property and Development is the Fund Manager.

### Wading and Outdoor Pool Extended Season Reserve Fund

The Recreation Programming Reserve Fund was created by City Council on October 6, 1976 from cumulative surpluses and deficits of former Parks and Recreation Boards and Commissions as at December 31, 1976. These funds along with any forthcoming revenues and expenses were to be segregated by Community Committee and used for recreation programming projects in that Community.

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Pool Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed.

The Reserve was funded with annual transfer from the General Revenue Fund with adjustments made during the year depending on the actual cost of the extended season.

With the adoption of the 2014 tax-supported budget City Council approved elimination of water charges to City pools reducing the budgeted transfer from the General Revenue Fund to $351,800 annually beginning in 2014 (from $490,000 in 2013) with adjustments made during the year depending on the actual cost of the extended season.

December 31, 2016 Council adopted the Wading and Outdoor Pool Extended Season Reserve be dissolved effective January 1, 2017.

The Director of Community Services is the Fund Manager.

### Snow Clearing Reserve Fund

The purpose of the fund is to absorb unexpected snowfall costs in years where the City experienced above average snowfall levels.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed $10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at $5.0 million) before any charges can be made to the Reserve.

The Director of Public Works is the Fund Manager.

### Commitment Reserve Fund

On March 12, 1998, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Financial Stabilization Reserve Fund.

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES (continued)

On July 19, 1999, City Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund be transferred to the Commitment Reserve Fund, which can then only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Financial Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

**Heritage Investment Reserve Fund**

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of ongoing funding for the Reserve will be incremental tax revenues from projects financed by the Fund.

The Director of Planning, Property and Development is the Fund Manager.

**Housing Rehabilitation Investment Reserve Fund**

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It was intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve invested would be returned to the Reserve to finance future projects. The Reserve continues to support housing programs in Housing Improvement Zones as well as the Indigenous Housing Program and is funded by an annual transfer from the General Revenue Fund. Since 2012, the City has acted as the 'Community Entity' for the delivery of the federal government's Homelessness Partnering Strategy ("HPS"), the related revenues and expenditures being recorded in the Reserve. Funding received covers the cost of grants provided under two HPS program streams ("Designated Community" and "Aboriginal Homelessness") as well as administrative expenditures.

The Director of Planning, Property and Development is the Fund Manager.

**Economic Development Investment Reserve Fund**

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. This Reserve invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

**General Purpose Reserve Fund**

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved the amalgamation of the Pension Stabilization Reserve and Pension Surplus Reserve Funds and the new Fund be renamed the General Purpose Reserve Fund.

On October 28, 2015, City Council approved an amendment to the Councillors' Ward Allowance (CWA) Policy, Year end section on page 6, to include the following: "Any expenses not charged to the current year's CWA should be charged to the carry over fund established by the Ward Councillor, wherever possible, and that the carry over funds be established as a permitted use in the general purpose reserve."

The Chief Financial Officer is the Fund Manager.

**Multiple-Family Dwelling Tax Investment Reserve Fund**

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

The Director of Planning, Property and Development is the Fund Manager.

**Insect Control Urgent Expenditures Reserve Fund**

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels.

The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Public Works is the Fund Manager.

**Permit Reserve Fund**

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the Reserve is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The Reserve is funded by the excess of permit revenue in the General Revenue Fund compared to budget in any given year. The balance in the Reserve was capped at $3.0 million and any surplus funds over and above the cap were to be transferred to the General Revenue Fund.

On March 22, 2011, City Council approved the cap be revised to $2.0 million and any surplus funds above the cap be transferred to the General Revenue Fund, reported in the Planning, Property and Development Department.

The Director of Planning, Property and Development is the Fund Manager.

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES (continued)

**Destination Marketing Reserve Fund**

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is a 5% accommodation tax, which was adopted by City Council on April 23, 2008.

The Chief Financial Officer is the Fund Manager.

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW

*December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Workers Compensation Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 1,844** | $ 5,081 | $ 736 | $ 1,133 | $ 2,633 |
| Investments | **$ 3,008** | $ - | $ 4,001 | $ 4,052 | $ 2,083 |
| Interest earned | **$ 28** | $ 25 | $ 61 | $ 66 | $ 55 |
| **Brookside Cemetery Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 788** | $ 749 | $ 13 | $ 237 | $ 468 |
| Investments | **$ 15,878** | $ 15,509 | $ 15,561 | $ 14,590 | $ 13,848 |
| Interest earned | **$ 650** | $ 645 | $ 644 | $ 624 | $ 618 |
| **St. Vital Cemetery Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 127** | $ 97 | $ 60 | $ 60 | $ 40 |
| Investments | **$ 1,046** | $ 1046 | $ 1046 | $ 800 | $ 799 |
| Interest earned | **$ 34** | $ 34 | $ 33 | $ 33 | $ 36 |
| **Transcona Cemetery Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 122** | $ 95 | $ 76 | $ 43 | $ 25 |
| Investments | **$ 697** | $ 697 | $ 696 | $ 565 | $ 564 |
| Interest earned | **$ 24** | $ 23 | $ 23 | $ 25 | $ 25 |
| **Insurance Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 3,560** | **$** 3,646 | $ 428 | $ 2,328 | $ 4,841 |
| Investments | **$ 2,003** | **$** - | $ 1,000 | $ 5,064 | $ 3,124 |
| Interest earned | **$ 28** | **$** 7 | $ 60 | $ 94 | $ 74 |
| **Contributions in Lieu of Land Dedication Reserve Fund** | | | | | |
| Cash dedications revenue | **$ 5,055** | $ 1,219 | $ 697 | $ 3,464 | $ 1,108 |
| Interest earned | **$ 66** | $ 34 | $ 42 | $ 64 | $ 47 |
| Park improvement expenses | **$ 1,233** | $ 315 | $ 919 | $ 1,363 | $ 827 |
| **Land Operating Reserve Fund** | | | | | |
| Number of properties sold | **27** | 31 | 28 | 47 | 27 |
| Number acquired - tax sale | **29** | 11 | 13 | 5 | 10 |
| Number exchanged | **5** | 2 | - | 1 | - |
| **Wading and Outdoor Pool Extended Season Reserve Fund** | | | | | |
| Transfer from | | | | | |
| General Revenue Fund | **$ -** | $ 487 | $ 405 | $ 352 | $ 536 |
| Total expenses | **$ -** | $ 488 | $ 469 | $ 291 | $ 543 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW (continued)

*December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Snow Clearing Reserve Fund** | | | | | |
| Transfer (to)/from | | | | | |
| General Revenue Fund | **$ -** | $ - | $ - | $ - | $ - |
| **Commitment Reserve Fund** | | | | | |
| Allocation of equity: | | | | | |
| Corporate and other | **$ 2,462** | $ 1,130 | $ 368 | $ 171 | $ 950 |
| Planning, Property and Development | **802** | - | 100 | 499 | 46 |
| Community Services | **465** | 89 | 455 | 22 | 347 |
| Police Service | **-** | 249 | 3,082 | 2,467 | 700 |
| Corporate Support Services | **379** | - | - | - | 296 |
| Fire Paramedic Services | **200** | 200 | 120 | 246 | 648 |
| Public Works | **21** | 120 | 560 | 334 | 1,106 |
| | **$ 4,329** | $ 1,788 | $ 4,685 | $ 3,739 | $ 4,093 |
| **Heritage Investment Reserve Fund** | | | | | |
| Municipal realty tax revenue | **$ 817** | $ 804 | $ 780 | $ 646 | $ 983 |
| **Housing Rehabilitation Investment Reserve Fund** | | | | | |
| Grant expense | **$ 9,945** | $ 6,640 | **$** 4,541 | $ 7,534 | $ 340 |
| **Economic Development Investment Reserve Fund** | | | | | |
| Municipal realty tax revenue | **$ 3,210** | $ 2,442 | $ 2,402 | $ 2,003 | $ 210 |
| **General Purpose Reserve Fund** | | | | | |
| Net transfer from (to) General Revenue Fund | **$ 88** | **$** (16,212) | $ 15,502 | $ (2,279) | $ (12,500) |
| Net transfer from (to) General Capital Fund | **$ -** | **$** - | $ - | $ - | $ (275) |
| Interest earned | **$ -** | **$** 40 | $ 3 | $ 17 | $ 85 |
| **Multiple-Family Dwelling Tax Investment Reserve Fund** | | | | | |
| Municipal realty tax revenue | **$ -** | $ 1,919 | $ 854 | $ - | $ 2,081 |
| Interest earned | **$ 31** | $ 24 | $ 32 | $ 61 | $ 67 |
| **Insect Control Urgent Expenditures Reserve Fund** | | | | | |
| Net transfer from (to) General Revenue Fund | **$ 772** | **$** (427) | $ 647 | $ (1,008) | $ 436 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW (continued)

*December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Permit Reserve Fund** | | | | | |
| Net transfer (to) from | | | | | |
| General Revenue Fund | **$ 41** | $ 489 | $ 651 | $ (1,000) | $ (13) |
| **Destination Marketing Reserve Fund** | | | | | |
| Accommodation tax revenue | **$ 9,856** | $ 10,165 | $ 9,017 | $ 7,855 | $ 7,451 |
| Grants expense: | | | | | |
| Economic Development Winnipeg Inc. | **$ 4,356** | $ 3,794 | $ 2,993 | $ 2,560 | $ 2,619 |
| The Convention Centre Corporation Inc. | **1,500** | 1,500 | - | - | 1,924 |
| | **$ 5,856** | $ 5,294 | $ 2,993 | $ 2,560 | $ 4,543 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Workers Compensation Reserve | Brookside Cemetery Reserve | St. Vital Cemetery Reserve | Sub-Total |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from (to) General Revenue Fund (Note 3) | $ - | $ - | $ - | $ - |
| Call loans - General Revenue Fund (Note 4) | 1,844 | 788 | 127 | 2,759 |
| Accounts receivable | 34 | 145 | 9 | 188 |
| Land held for resale | - | - | - | - |
| | 1,878 | 933 | 136 | 2,947 |
| Investments (Note 5) | 3,008 | 15,878 | 1,046 | 19,932 |
| Investments in government business (Note 6) | - | | - | - |
| Land | - | - | - | - |
| Deferred charges | - | - | - | - |
| | $ 4,886 | $ 16,811 | $ 1,182 | $ 22,879 |
| ***LIABILITIES*** | | | | |
| Current | | | | |
| Accounts payable | $ - | $ - | $ - | $ - |
| Deferred Revenue | - | - | - | - |
| Due to Winnipeg Parking Authority - SOA | - | - | - | - |
| | - | - | - | - |
| ***EQUITY*** | | | | |
| Contributed surplus (Note 7) | - | - | - | - |
| Allocated | - | - | - | - |
| Unallocated | 4,886 | 16,811 | 1,182 | 22,879 |
| | 4,886 | 16,811 | 1,182 | 22,879 |
| | $ 4,886 | $ 16,811 | $ 1,182 | $ 22,879 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Sub-Total Brought Forward | Transcona Cemetery Reserve | Insurance Reserve | Land Dedication Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from (to) General Revenue Fund (Note 3) | $ - | $ - | $ - | $ 10,314 |
| Call loans - General Revenue Fund (Note 4) | 2,759 | 122 | 3,560 | - |
| Accounts receivable | 188 | 5 | 18 | - |
| Land held for resale | - | - | - | - |
| | 2,947 | 127 | 3,578 | 10,314 |
| Investments (Note 5) | 19,932 | 697 | 2,003 | - |
| Investments in government business (Note 6) | - | - | - | - |
| Land | - | - | - | - |
| Deferred charges | - | - | - | - |
| | $ 22,879 | $ 824 | $ 5,581 | $ 10,314 |
| ***LIABILITIES*** | | | | |
| Current | | | | |
| Accounts payable | $ - | $ | $ 955 | $ 4 |
| Deferred Revenue | - | - | - | - |
| Due to Winnipeg Parking Authority - SOA | - | - | - | - |
| | - | - | 955 | 4 |
| ***EQUITY*** | | | | |
| Contributed surplus (Note 7) | - | - | - | - |
| Allocated | - | - | - | - |
| Unallocated | 22,879 | 824 | 4,626 | 10,310 |
| | 22,879 | 824 | 4,626 | 10,310 |
| | $ 22,879 | $ 824 | $ 5,581 | $ 10,314 |

*See accompanying notes to the financial statements*

| Land Operating Reserve | Wading & Outdoor Pool Extended Season Reserve | Snow Clearing Reserve | Commitment Reserve | Heritage Investment Reserve | Housing Rehabilitation Reserve | Sub-Total |
|---|---|---|---|---|---|---|
| $ 1,480 | $ - | $ - | $ 4,329 | $ 3,096 | $ 7,170 | $ 26,389 |
| - | - | - | - | - | - | 6,441 |
| 6,837 | - | - | - | 276 | - | 7,324 |
| 1,155 | - | - | - | - | - | 1,155 |
| 9,472 | - | - | 4,329 | 3,372 | 7,170 | 41,309 |
| 141 | - | - | - | - | - | 22,773 |
| 4,606 | - | - | - | - | - | 4,606 |
| 10,459 | - | - | - | - | - | 10,459 |
| 64 | - | - | - | - | - | 64 |
| $ 24,742 | $ - | $ - | $ 4,329 | $ 3,372 | $ 7,170 | $ 79,211 |
| | | | | | | |
| $ 4,020 | $ - | $ - | $ - | $ 1,437 | $ - | $ 6,416 |
| 377 | - | - | - | - | | 377 |
| 9,405 | - | - | - | - | - | 9,405 |
| 13,802 | - | - | - | 1,437 | - | 16,198 |
| 8,425 | - | - | - | - | - | 8,425 |
| 2,222 | - | - | - | 2,076 | - | 4,298 |
| 293 | - | - | 4,329 | (141) | 7,170 | 50,290 |
| 2,515 | - | - | 4,329 | 1,935 | 7,170 | 54,588 |
| $ 24,742 | $ - | $ - | $ 4,329 | $ 3,372 | $ 7,170 | $ 79,211 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Sub-Total Brought Forward | Economic Development Reserve | General Purpose Reserve | Multiple-Family Dwelling Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from (to) General Revenue Fund (Note 3) | $ 26,389 | $ 2,101 | $ 150 | $ 3,732 |
| Call loans - General Revenue Fund (Note 4) | 6,441 | - | - | - |
| Accounts receivable | 7,324 | - | - | - |
| Land held for resale | 1,155 | - | - | - |
| | 41,309 | 2,101 | 150 | 3,732 |
| Investments (Note 5) | 22,773 | - | - | - |
| Investments in government business (Note 6) | 4,606 | - | - | - |
| Land | 10,459 | - | - | - |
| Deferred charges | 64 | - | - | - |
| | $ 79,211 | $ 2,101 | $ 150 | $ 3,732 |
| ***LIABILITIES*** | | | | |
| Current | | | | |
| Accounts payable | $ 6,416 | $ 345 | $ - | $ 160 |
| Deferred Revenue | 377 | - | - | - |
| Due to Winnipeg Parking Authority - SOA | 9,405 | - | - | - |
| | 16,198 | 345 | - | 160 |
| ***EQUITY*** | | | | |
| Contributed surplus (Note 7) | 8,425 | - | - | - |
| Allocated | 4,298 | - | - | - |
| Unallocated | 50,290 | 1,756 | 150 | 3,572 |
| | 54,588 | 1,756 | 150 | 3,572 |
| | $ 79,211 | $ 2,101 | $ 150 | $ 3,732 |

*See accompanying notes to the financial statements*

| Insect Control Reserve | Permit Reserve | Destination Marketing Reserve | Totals 2017 | Totals 2016 |
|---|---|---|---|---|
| **$ 3,000** | **$ 2,000** | **$ 13,674** | **$ 51,046** | $ 43,727 |
| **-** | **-** | **-** | **6,441** | 9,668 |
| **-** | **-** | **600** | **7,924** | 12,438 |
| **-** | **-** | **-** | **1,155** | 5,931 |
| **3,000** | **2,000** | **14,274** | **66,566** | 71,764 |
| **-** | **-** | **-** | **22,773** | 19,897 |
| **-** | **-** | **-** | **4,606** | 4,924 |
| **-** | **-** | **-** | **10,459** | 14,896 |
| **-** | **-** | **-** | **64** | 60 |
| **$ 3,000** | **$ 2,000** | **$ 14,274** | **$ 104,468** | $ 111,541 |
| | | | | |
| **$ -** | **$ -** | **$ 126** | **$ 7,047** | $ 6,546 |
| **-** | **-** | **-** | **377** | 401 |
| **-** | **-** | **-** | **9,405** | 10,000 |
| **-** | **-** | **126** | **16,829** | 16,947 |
| **-** | **-** | **-** | **8,425** | 8,425 |
| **-** | **-** | **14,148** | **18,446** | 33,777 |
| **3,000** | **2,000** | **-** | **60,768** | 52,392 |
| **3,000** | **2,000** | **14,148** | **79,214** | 86,169 |
| **$ 3,000** | **$ 2,000** | **$ 14,274** | **$ 104,468** | $ 111,541 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Workers Compensation Reserve | Brookside Cemetery Reserve | St. Vital Cemetery Reserve | Transcona Cemetery Reserve |
|---|---|---|---|---|
| Balance, beginning of year | $ 5,081 | $ 16,393 | $ 1,152 | $ 797 |
| Add: | | | | |
| Transfer from General Revenue Fund | - | 92 | 16 | 17 |
| Transfer from Municipal Accomodations | - | - | - | - |
| Other (Note 6) | 1,338 | 45 | - | |
| Accommodation tax | - | - | - | - |
| Land sales | - | - | - | - |
| Municipal realty tax | - | - | - | - |
| Interest earned | 28 | 650 | 34 | 24 |
| Cash payments-in-lieu of land dedication | - | - | - | - |
| Transfer from Transit System Fund | - | - | - | - |
| Transfer from Land Operating Reserve | - | - | - | - |
| Transfer from General Revenue Enterprise Fund | - | - | - | - |
| Transfer from Winnipeg Parking - SOA | - | - | - | - |
| | 1,366 | 787 | 50 | 41 |
| Deduct: | | | | |
| Transfer to General Revenue Fund | 1,000 | 301 | 14 | 9 |
| Grants | - | - | - | - |
| Transfer to General Capital Fund | - | - | - | - |
| Other | 540 | - | - | - |
| Cost of sales | - | - | - | - |
| Transfer to Municipal Accommodations Fund | - | - | - | - |
| Transfer to Contributions in Lieu of Land Dedication Reserve | - | - | - | - |
| Transfer to General Revenue Fund - investment management fee | 21 | 68 | 6 | 5 |
| Transfer to Financial Stabilization Reserve | - | - | - | - |
| Transfer to Fleet Management - SOA | - | - | - | - |
| Transfer to Golf Services - SOA | - | - | - | - |
| Transfer to Transit | - | - | - | - |
| Transfer to Heritage Reserve | - | - | - | - |
| | 1,561 | 369 | 20 | 14 |
| Balance, end of year | $ 4,886 | $ 16,811 | $ 1,182 | $ 824 |

*See accompanying notes to the financial statements*

| Insurance Reserve | Land Dedication Reserve | Land Operating Reserve | Wading & Outdoor Pool Extended Season Reserve | Snow Clearing Reserve | Sub-Total |
|---|---|---|---|---|---|
| $ 2,691 | $ 7,468 | $ 21,013 | $ - | $ - | $ 54,595 |
| 1,210 | - | - | - | - | 1,335 |
| - | - | - | - | - | - |
| 34 | 27 | 2,061 | - | - | 3,505 |
| - | - | - | - | - | - |
| - | - | 15,550 | - | - | 15,550 |
| - | - | 97 | - | - | 97 |
| 28 | 66 | 159 | - | | 989 |
| - | 5,055 | - | - | - | 5,055 |
| - | - | - | - | - | - |
| - | 41 | - | - | - | 41 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,272 | 5,189 | 17,867 | - | - | 26,572 |
| - | - | 395 | - | - | 1,719 |
| - | 812 | 600 | - | - | 1,412 |
| - | 230 | 27,494 | - | - | 27,724 |
| (708) | 1,233 | 1,213 | - | - | 2,278 |
| - | - | 5,717 | - | - | 5,717 |
| - | - | 12 | - | - | 12 |
| - | - | 41 | - | - | 41 |
| 19 | 38 | 44 | - | - | 201 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 34 | - | - | - | 34 |
| 26 | - | - | - | - | 26 |
| - | - | 849 | - | - | 849 |
| (663) | 2,347 | 36,365 | - | - | 40,013 |
| $ 4,626 | $ 10,310 | $ 2,515 | $ - | $ - | $ 41,154 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Sub-Total Brought Forward | Commitment Reserve | Heritage Investment Reserve | Housing Rehabilitation Reserve |
|---|---|---|---|---|
| Balance, beginning of year | $ 54,595 | $ 1,741 | $ 2,743 | $ 2,780 |
| Add: | | | | |
| Transfer from General Revenue Fund | 1,335 | 2,386 | - | 1,000 |
| Transfer from Municipal Accomodations | - | 672 | - | - |
| Other | 3,505 | - | - | 14,085 |
| Accommodation tax | - | - | - | - |
| Land sales | 15,550 | - | - | - |
| Municipal realty tax | 97 | - | 817 | - |
| Interest earned | 989 | - | 26 | 43 |
| Cash payments-in-lieu of land dedication | 5,055 | - | - | - |
| Transfer from Transit System Fund | - | - | - | - |
| Transfer from Land Operating Reserve | 41 | - | 849 | - |
| Transfer from General Revenue Enterprise Fund | - | - | - | - |
| Transfer from Winnipeg Parking - SOA | - | - | - | - |
| | 26,572 | 3,058 | 1,692 | 15,128 |
| Deduct: | | | | |
| Transfer to General Revenue Fund | 1,719 | - | - | 736 |
| Grants | 1,412 | - | 1,501 | 9,945 |
| Transfer to General Capital Fund | 27,724 | 26 | - | - |
| Other | 2,278 | 428 | 989 | 31 |
| Cost of sales | 5,717 | - | - | - |
| Transfer to Municipal Accommodations Fund | 12 | - | - | - |
| Transfer to Contributions in Lieu of Land Dedication Reserve | 41 | - | - | - |
| Transfer to General Revenue Fund - investment management fee | 201 | - | 10 | 26 |
| Transfer to Financial Stabilization Reserve | - | 16 | - | - |
| Transfer to Fleet Management - SOA | - | - | - | - |
| Transfer to Golf Services - SOA | 34 | - | - | - |
| Transfer to Transit | 26 | - | - | - |
| Transfer to Heritage Reserve | 849 | - | - | - |
| | 40,013 | 470 | 2,500 | 10,738 |
| Balance, end of year | $ 41,154 | $ 4,329 | $ 1,935 | $ 7,170 |

*See accompanying notes to the financial statements*

| Economic Development Reserve | General Purpose Reserve | Multiple-Family Dwelling Reserve | Insect Control Reserve | Permit Reserve | Sub-Total |
|---|---|---|---|---|---|
| $ 1,375 | $ 149 | $ 5,216 | $ 2,228 | $ 2,000 | $ 72,827 |
| - | 88 | - | 1,989 | 641 | 7,439 |
| - | - | - | - | - | 672 |
| - | - | 317 | - | - | 17,907 |
| - | - | - | - | - | - |
| - | - | - | - | - | 15,550 |
| 3,210 | | - | | | 4,124 |
| 22 | - | 31 | 14 | 9 | 1,134 |
| - | - | - | - | - | 5,055 |
| - | - | - | - | - | - |
| - | - | - | - | - | 890 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 3,232 | 88 | 348 | 2,003 | 650 | 52,771 |
| - | - | - | 1,223 | 600 | 4,278 |
| 766 | - | 1,973 | - | - | 15,597 |
| 2,072 | - | - | - | - | 29,822 |
| - | 87 | - | - | 44 | 3,857 |
| - | - | - | - | - | 5,717 |
| - | - | - | - | - | 12 |
| - | - | - | - | - | 41 |
| 13 | - | 19 | 8 | 6 | 283 |
| - | - | - | - | - | 16 |
| - | - | - | - | - | - |
| - | - | - | - | - | 34 |
| - | - | - | - | - | 26 |
| - | - | - | - | - | 849 |
| 2,851 | 87 | 1,992 | 1,231 | 650 | 60,532 |
| $ 1,756 | $ 150 | $ 3,572 | $ 3,000 | $ 2,000 | $ 65,066 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **Sub-Total Brought Forward** | **Destination Marketing Reserve** | **Totals 2017** | Totals 2016 |
|---|---|---|---|---|
| Balance, beginning of year | **$ 72,827** | **$ 13,340** | **$ 86,167** | $ 96,810 |
| Add: | | | | |
| Transfer from General Revenue Fund | **7,439** | **-** | **7,439** | 5,675 |
| Transfer from Municipal Accomodations | **672** | **-** | **672** | - |
| Other | **17,907** | **-** | **17,907** | 14,126 |
| Accommodation tax | **-** | **9,856** | **9,856** | 10,165 |
| Land sales | **15,550** | **-** | **15,550** | 11,334 |
| Municipal realty tax | **4,124** | **-** | **4,124** | 5,165 |
| Interest earned | **1,134** | **78** | **1,212** | 1,128 |
| Cash payments-in-lieu of land dedication | **5,055** | **-** | **5,055** | 1,219 |
| Transfer from Transit System Fund | **-** | **-** | **-** | 220 |
| Transfer from Land Operating Reserve | **890** | **-** | **890** | 715 |
| Transfer from General Revenue Enterprise Fund | **-** | **-** | **-** | 2,314 |
| Transfer from Winnipeg Parking - SOA | **-** | **-** | **-** | 7 |
| | **52,771** | **9,934** | **62,705** | 52,068 |
| Deduct: | | | | |
| Transfer to General Revenue Fund | **4,278** | **60** | **4,338** | 22,443 |
| Grants | **15,597** | **5,856** | **21,453** | 14,535 |
| Transfer to General Capital Fund | **29,822** | **-** | **29,822** | 10,631 |
| Other | **3,857** | **3,163** | **7,020** | 9,749 |
| Cost of sales | **5,717** | **-** | **5,717** | 2,686 |
| Transfer to Municipal Accommodations Fund | **12** | **-** | **12** | 278 |
| Transfer to Contributions in Lieu of Land Dedication Reserve | **41** | **-** | **41** | - |
| Transfer to General Revenue Fund - investment management fee | **283** | **47** | **330** | 329 |
| Transfer to Financial Stabilization Reserve | **16** | **-** | **16** | 128 |
| Transfer to Fleet Management - SOA | **-** | **-** | **-** | 11 |
| Transfer to Golf Services - SOA | **34** | **-** | **34** | 60 |
| Transfer to Transit | **26** | **-** | **26** | 1,144 |
| Transfer to Heritage Reserve | **849** | **-** | **849** | 715 |
| | **60,532** | **9,126** | **69,658** | 62,709 |
| Balance, end of year | **$ 65,066** | **$ 14,148** | **$ 79,214** | $ 86,169 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### *1. Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The Special Purpose Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Special Purpose Reserves Fund include the following:

Workers Compensation Reserve Fund
Perpetual Maintenance Reserve Funds
- Brookside Cemetery
- St. Vital Cemetery
- Transcona Cemetery

Insurance Reserve Fund
Contributions in Lieu of Land Dedication Reserve Fund
Land Operating Reserve Fund
Wading and Outdoor Pool Extended Season Reserve Fund
Snow Clearing Reserve Fund
Commitment Reserve Fund
Heritage Investment Reserve Fund
Housing Rehabilitation Investment Reserve Fund
Economic Development Investment Reserve Fund
General Purpose Reserve Fund
Multi-Family Dwelling Tax Investment Reserve Fund
Insect Control Urgent Expenditures Reserve Fund
Permit Reserve Fund
Destination Marketing Reserve Fund

#### b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

#### c) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

#### d) Investment in bonds

Bonds are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

#### e) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

## *1. Significant Accounting Policies (continued)*

### f) Investment in government business

The investment in River Park South Developments Inc. and Park City Commons is reported as a government business partnership and is therefore accounted for using the modified equity method. Under this method, the government business's accounting principles are not adjusted to conform with those of the City of Winnipeg (the "City") and inter-corporate transactions are not eliminated (Note 6).

## *2. Status of the Special Purpose Reserves*

### Workers Compensation Reserve Fund

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of the amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former City of Winnipeg Act.

The City administers its workers compensation program on a self insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

### Perpetual Maintenance Funds (Brookside, St. Vital and Transcona Cemeteries)

Under the terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, a fund was created for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to the City. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, The City of Winnipeg Act was replaced with new legislation entitled The City of Winnipeg Charter. Under this new legislation the investment and administration of the funds has been transferred to the administration of the City.

The Director of Planning, Property and Development is the Funds Manager.

## 2. *Status of the Special Purpose Reserves (continued)*

### Insurance Reserve Fund

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

### Contributions in Lieu of Land Dedication Reserve Fund

City Council, on January 10, 1973, adopted a policy that cash payments received by the City in lieu of land dedications for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended the policy to also permit cash payments received from the sale of surplus Parks and Recreation lands to be deposited to the credit of each community. Disbursements from this Reserve are limited to costs of acquiring or improving lands for parks, recreational facilities or open space within that community.

The Director of the Planning, Property and Development is the Fund Manager.

### Land Operating Reserve Fund

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale. This Reserve is maintained by proceeds from the sale of City owned properties and interest earned. Disbursements are limited to the acquisition cost of properties for resale, and any other expenses related to the acquisition, sale and improvement of disposable City properties.

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program, another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands and 15% is allocated to the Community Centre Renovation Grant Program annually, subject to Council approval.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Director of Planning, Property and Development is the Fund Manager.

### Wading and Outdoor Pool Extended Season Reserve Fund

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed.

December 31, 2016 Council adopted the Wading and Outdoor Pool Extended Season Reserve be dissolved effective January 1, 2017.

The Director of Community Services is the Fund Manager.

## 2. *Status of the Special Purpose Reserves (continued)*

**Snow Clearing Reserve Fund**

The purpose of the fund is to absorb unexpected snowfall costs in years where the City experienced above average snowfall levels.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve Fund with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed $10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at $5.0 million) before any charges can be made to the Reserve.

The Director of Public Works is the Fund Manager.

**Commitment Reserve Fund**

On March 12, 1998, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the Reserve is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Financial Stabilization Reserve Fund.

On July 19, 1999, City Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund be transferred to the Commitment Reserve Fund, which can than only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Financial Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

**Heritage Investment Reserve Fund**

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of on going funding for the Reserve will be incremental tax revenues from projects financed by the Fund.

The Director of Planning, Property and Development is the Fund Manager.

**Housing Rehabilitation Investment Reserve Fund**

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.

## 2. *Status of the Special Purpose Reserves (continued)*

**Economic Development Investment Reserve Fund**

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. Unlike the other investment reserves, this Reserve invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

**General Purpose Reserve Fund**

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved that the Pension Stabilization Reserve and Pension Surplus Reserve Funds be combined and renamed the General Purpose Reserve Fund.

On October 28, 2015, City Council approved an amendment to the Councillors' Ward Allowance (CWA) Policy, Year end section on page 6, to include the following: "Any expenses not charged to the current year's CWA should be charged to the carry over fund established by the Ward Councillor, wherever possible, and that the carry over funds be established as a permitted use in the general purpose reserve."

The Chief Financial Officer is the Fund Manager.

**Multiple-Family Dwelling Tax Investment Reserve Fund**

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

The Director of Planning, Property and Development is the Fund Manager.

**Insect Control Urgent Expenditures Reserve Fund**

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Public Works is the Fund Manager.

## *2. Status of the Special Purpose Reserves (continued)*

**Permit Reserve Fund**

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the fund is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The source of funds for the Reserve are the excess of permit revenue in the General Revenue Fund compared to budget in any given year. The balance in the Reserve is capped at $3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

On March 22, 2011, City Council approved the cap be revised to $2.0 million and any surplus funds above the cap be transferred to the Planning, Property and Development Department that is reported in the General Revenue Fund.

The Director of Planning, Property and Development is the Fund Manager.

**Destination Marketing Reserve Fund**

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is the 5% accommodation tax, which was adopted by City Council on April 23, 2008.

Guidelines established for the Reserve include the following:

- A grant to Economic Development Winnipeg Inc. equal to the greater of $2.0 million or 30% of annual accommodation tax revenue;
- A grant of $1.5 million annually to The Winnipeg Convention Centre Corporation;
- Up to 40% of the annual accommodation tax revenue, to a maximum of the estimated annual payments required to service the amount of future debt that will be allocated to the City's portion of construction costs relating to a planned expansion at the Winnipeg Convention Centre, to be set aside within the Reserve. Dispositions from the Reserve for this purpose require approval of City Council;
- Expenses incurred in the General Revenue Fund to administer the accommodation tax will be transferred to the Reserve; and
- Commencing in 2013 the Destination Marketing Reserve Fund is paying an additional grant to the Winnipeg Convention Centre for debt servicing. This grant will be paid for 2013, 2014 and 2015.
- The remainder of the funds, net of the above, paid to Economic Development Winnipeg Inc. for the Special Event Marketing Fund. If yearly contributions to the Special Event Marketing Fund exceeds $1.0 million, any excess above this amount will be paid to Economic Development Winnipeg Inc. in the form of an additional grant. Dispositions from the Destination Marketing Reserve fund for this purpose will require the approval of the Fund Manager.

The Chief Financial Officer is the Fund Manager.

## *3. Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

### *4. Call Loans - General Revenue Fund*

Call loans represent short-term investments with The City of Winnipeg - General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

### *5. Investments*

| | **2017** | 2016 |
|---|---|---|
| Marketable securities | | |
| Municipal bonds | **$ 16,928** | $ 16,953 |
| Bank and trust companies | **5,011** | - |
| Provincial bonds and bond coupons | **693** | 299 |
| | **22,632** | 17,252 |
| Other | **141** | 2,645 |
| | **$ 22,773** | $ 19,897 |

The aggregate market value of marketable securities at December 31, 2017 was $24,686 thousand (2016 - $18,161 thousand).

### *6. Investment in Government Business*

River Park South Developments Inc.

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

The results of operations in 2017 of $1,431 thousand (2016 - $2,964 thousand) are included in the Statement of Changes in Equity as other revenue.

Park City Commons

On February 17, 2016 the City and EdgeCorp Developments Ltd. entered into an agreement to form Park City Commons joint venture to develop and sell certain land owned by the participants in the community of Transcona.

### *7. Contributed Surplus*

On April 27, 1994, City Council, retroactive to December 31, 1993, approved by way of a capital reorganization, the transfer of $17.3 million from the Land Operating Reserve Fund to the General Revenue Fund to fund the accrued liability for assessment appeal refunds and interest.

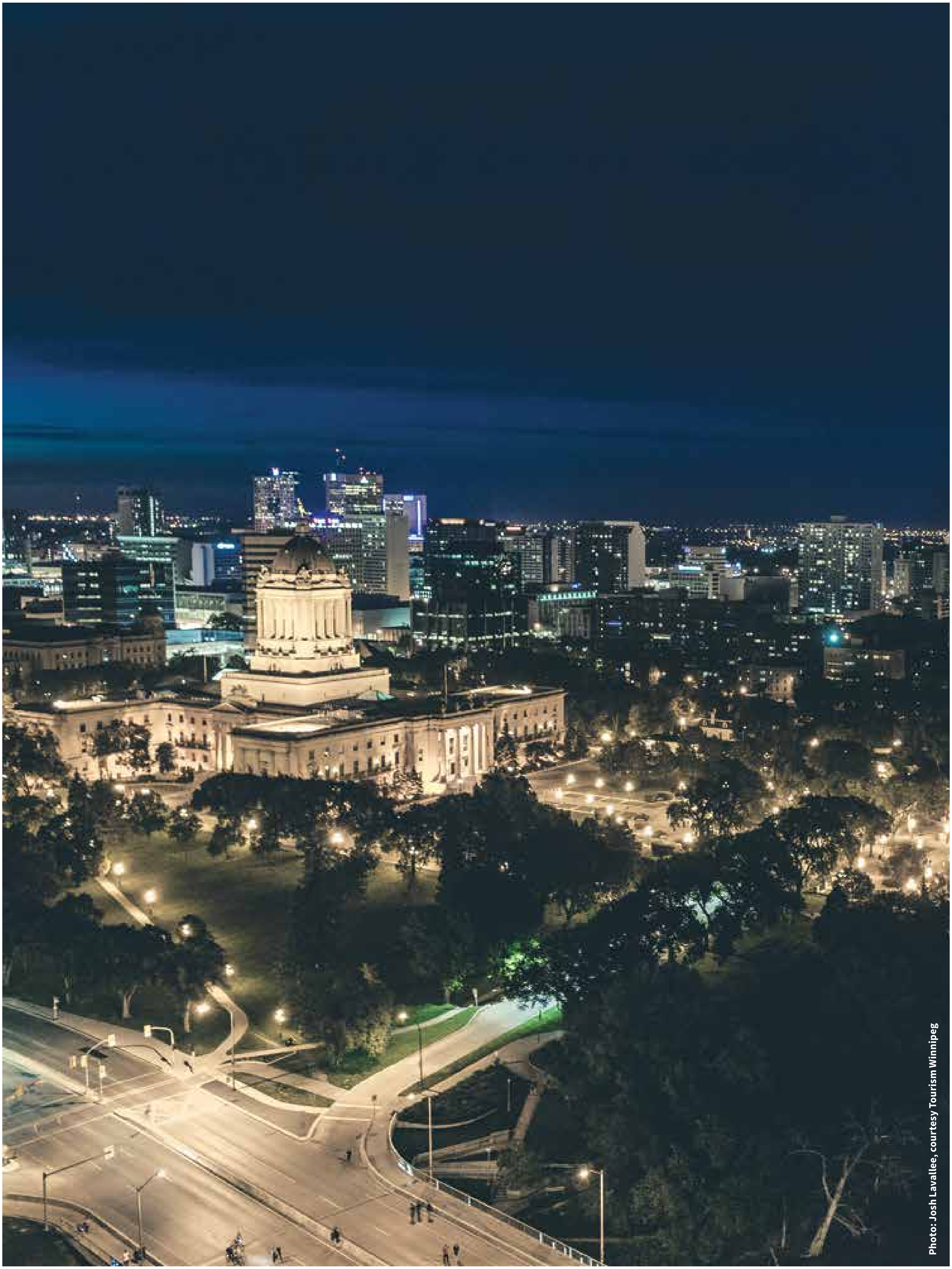

Photo: Josh Lavallee, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# TRUST FUNDS

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(unaudited)*

| | Library Trust | Portage and Main Concourse Trust | 2017 Totals | 2016 Totals |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Prepaid | **$ -** | **$ -** | **$ -** | $ 26 |
| Due from General Revenue Fund (Note 3) | **217,299** | **1,709** | **219,008** | 213,644 |
| | **$ 217,299** | **$ 1,709** | **$ 219,008** | $ 213,670 |
| ***EQUITY*** | | | | |
| Unallocated | **$ 217,299** | **$ 1,709** | **$ 219,008** | $ 213,670 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# TRUST FUNDS

## STATEMENT OF CHANGES IN TRUST ACCOUNTS

*For the years ended December 31*
*(unaudited)*

| | Library Trust | Portage and Main Concourse Trust | 2017 Totals | 2016 Totals |
|---|---|---|---|---|
| Opening balance | **$ 211,972** | **$ 1,698** | **$ 213,670** | $ 248,953 |
| Add: | | | | |
| Contributions | **155,911** | **-** | **155,911** | 187,512 |
| Interest earned | **1,528** | **11** | **1,539** | 1,285 |
| | **157,439** | **11** | **157,450** | 188,797 |
| Deduct: | | | | |
| Disbursements | **152,112** | **-** | **152,112** | 224,080 |
| Closing balance | **$ 217,299** | **$ 1,709** | **$ 219,008** | $ 213,670 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# TRUST FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(unaudited)*

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**a) Basis of presentation**

The City of Winnipeg follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**b) Basis of accounting**

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods and/or the creation of a legal obligation to pay.

### 2. *Status of The City of Winnipeg Trust Funds*

**Library Trust**

This trust is maintained by donations from private citizens and organizations in support of various library services. The Manager of Library Services is the Trust Manager.

**Portage and Main Concourse Trust**

This trust is maintained by a square foot levy applied to Concourse leased areas for the purpose of promoting or improving the concourse. The Director of Planning, Property and Development is the Trust Manager.

### 3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

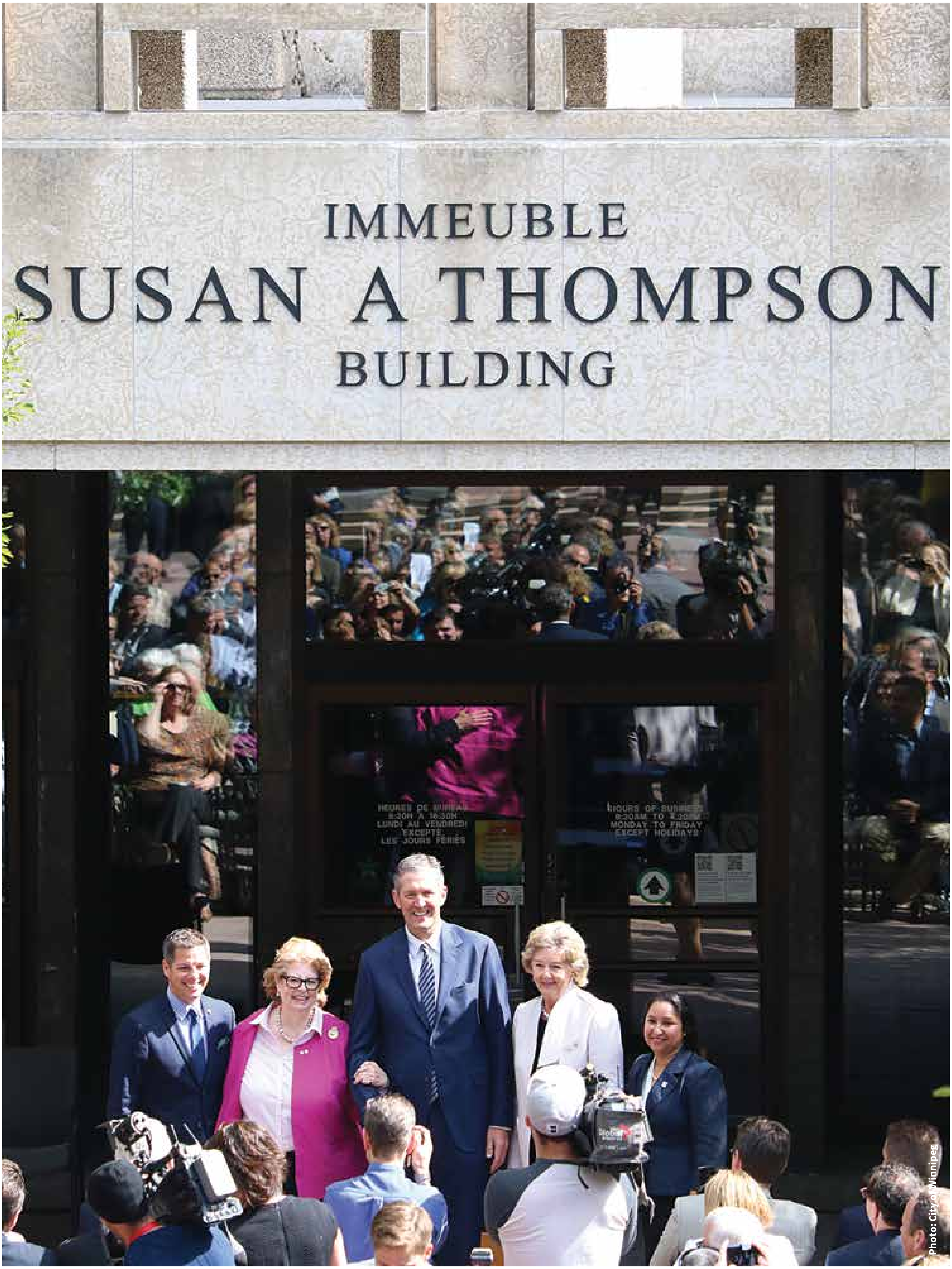


Photo: City of Winnipeg

# THE CITY OF WINNIPEG
# EQUIPMENT AND MATERIAL SERVICES

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 2) | **$** | **134** | $ | 134 |
| Investment (Note 3) | | **1,148** | | 1,148 |
| | **$** | **1,282** | $ | 1,282 |
| ***RETAINED EARNINGS*** | **$** | **1,282** | $ | 1,282 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# EQUIPMENT AND MATERIAL SERVICES

## STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***REVENUES*** | | |
| Interest | **$ -** | $ 1 |
| Net earnings for the year | **-** | 1 |
| ***RETAINED EARNINGS, BEGINNING OF YEAR*** | **1,282** | 1,281 |
| ***RETAINED EARNINGS, END OF YEAR*** | **$ 1,282** | $ 1,282 |

*See accompanying notes to the financial statements*

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### 1. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**a) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### 2. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

### 3. *Investment*

| | **2017** | 2016 |
|---|---|---|
| Fleet Management - Special Operating Agency | **$ 1,148** | $ 1,148 |

On January 1, 2008, Fleet Management - Special Operating Agency converted their long-term debt of $1,148 thousand to contributed surplus.


Photo: Zac Wronski, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# MUNICIPAL ACCOMMODATIONS FUND

Effective January 1, 2011, the Civic Accommodations and Building Services Funds were amalgamated into a new fund known as the Municipal Accommodations Fund.

In June 2006, the City Auditor issued a report entitled "Public Works Asset Management Performance Audit, Part 2 - Facilities Maintenance". Included among the report's recommendations was "…that responsibility for facilities maintenance for all Civic facilities be assigned to one department, division or agency."

On June 20, 2007, City Council concurred in the recommendations of Executive Policy Committee and adopted an amendment to the City Organization By-law No. 7100/97 "such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department, and further that "facility maintenance" be transferred from the jurisdiction of the Standing Policy Committee on Infrastructure Renewal and Public Works to the Standing Policy Committee on Property and Development, effective as of September 17, 2007." As a result, the former Civic Accommodations Division of the Planning, Property and Development Department and the former Building Services Division of the Public Works Department were combined to form the Municipal Accommodations Division in the Planning, Property and Development Department.

The Municipal Accommodations Division is a self-financing utility enterprise and uses an "Actual/Market" model to distribute accommodation costs to all departments. This full cost recovery model is often referred to as the "Charge-Back System" and all services the Division provides are recovered from client departments, utilities and Special Operating Agencies. These services include leasing of civic accommodations, the programming, designing and project management of construction and renovation projects, design and consulting services, and the demolition of buildings. They also include facility maintenance, security, environmental monitoring and cleaning services.

The buildings receiving services include Community Services Department's recreation buildings, which are pools, arenas, recreation centres, community centres; Public Works Department's parks and open spaces buildings, accommodations facilities, cemeteries and Special Operating Agencies' facilities.

## FIVE-YEAR REVIEW

*As at December 31*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Number of facilities | **113** | 135 | 132 | 134 | 129 |
| Total area square footage | **3,104,626** | 3,243,444 | 3,286,049 | 3,333,251 | 2,440,067 |

# THE CITY OF WINNIPEG
# MUNICIPAL ACCOMMODATIONS FUND

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Cash | **$** | **33** | $ | **-** |
| Due from General Revenue Fund (Note 3) | | **4,235** | | 7,527 |
| Accounts receivable (Note 4) | | **38** | | 209 |
| Prepaid expenses | | **803** | | 733 |
| | **$** | **5,109** | **$** | 8,469 |
| ***LIABILITIES*** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (Note 5) | **$** | **4,582** | $ | 7,774 |
| Deferred revenue | | **527** | | 695 |
| | **$** | **5,109** | $ | 8,469 |

Commitments (Note 6)

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# MUNICIPAL ACCOMMODATIONS FUND

## STATEMENT OF OPERATIONS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***REVENUES*** | | | |
| Contributions from City of Winnipeg departments (Note 8b) | **$ 72,839** | **$ 71,999** | $ 70,948 |
| Investment and other | **300** | **583** | 1,825 |
| Other rental | **2,104** | **1,805** | 396 |
| Total Revenues | **75,243** | **74,387** | 73,169 |
| ***EXPENSES*** | | | |
| Municipal Accommodations | **55,454** | **53,678** | 52,420 |
| Transfer to General Revenue Fund | **10,933** | **11,682** | 14,849 |
| Transfer to General Capital Fund | **8,856** | **9,027** | 5,900 |
| Total Expenses (Note 9) | **75,243** | **74,387** | 73,169 |
| Surplus for the year | **$ -** | **$ -** | $ - |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# MUNICIPAL ACCOMMODATIONS FUND

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**a) Basis of presentation**

The Municipal Accommodations Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**b) Basis of accounting**

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified for expenses relating to accrued vacation costs, compensated absences, legal claims, retirement allowance, workers compensation claims, insurance claims, and environmental costs which are recorded when payment is incurred.

**c) Inventory**

Inventories are recorded at the lower of cost or net realizable value.

**d) Deferred revenue**

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, or services performed.

**e) Debt and finance charges**

Municipal Accommodations Fund's tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the Municipal Accommodations Fund with the interest expense recorded in the General Capital Fund.

## *1. Significant Accounting Policies (continued)*

### f) Administration and interest on capital work

In certain circumstances, capital project work capitalized in the General Capital Fund includes an administration fee of 1.25% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, financing charges of 2% are also capitalized as part of the project funded by the City. The administration fee and financing charge revenues are recorded in the General Revenue Fund.

## *2. Status of the Municipal Accommodations Fund*

Effective January 1, 2011, the Civic Accommodations and Building Services Funds were amalgamated into a new Fund known as the Municipal Accommodations Fund.

The Municipal Accommodations Division of the Planning, Property and Development department is responsible for providing accommodations for all civic purposes. In providing this service, the Department undertakes the development of accommodation space, maintains building assets, renovates and disposes of buildings through demolition or sale.

The Division is also responsible for providing asset management and facility maintenance services for civic purposes. An accommodation charge back system is used as a step towards the full costing of services to other civic departments, utilities and Special Operating Agencies.

## *3. Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this Fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

## *4. Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Maintenance billings and other | **$ 174** | $ 572 |
| Allowance for doubtful accounts | **(136)** | (363) |
| | **$ 38** | $ 209 |

## *5. Accounts Payable and Accrued Liabilities*

| | **2017** | 2016 |
|---|---|---|
| Accounts payable and accrued liabilities | **$ 3,222** | $ 6,296 |
| Performance deposits | **677** | 758 |
| Wages and employee benefits payable | **381** | 414 |
| Accrued interest on long-term debt | **302** | 306 |
| | **$ 4,582** | $ 7,774 |

## 6. *Commitments*

**Lease commitments**

The Municipal Accommodations Fund has entered into a number of rental lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments are as follows:

| | | |
|---|---|---|
| 2018 | $ | 8,137 |
| 2019 | | 8,111 |
| 2020 | | 7,725 |
| 2021 | | 7,517 |
| 2022 | | 7,304 |
| Subsequent | | 70,842 |
| | $ | 109,636 |

## 7. *Employee Benefits*

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $1.3 million (2016 - $1.5 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2017 is estimated at $982 thousand (2016 - $929 thousand).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2017 is estimated at $1.5 million (2016 - $1.5 million).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2017 is estimated at $1.9 million (2016 - $1.2 million).

e) Municipal Accommodations employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year, $1.6 million (2016 - $1.6 million) of pension costs were allocated to Municipal Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2017 and has disclosed an actuarial surplus.

### *8. Contributions and Appropriations from Related Parties*

a) Included in Municipal Accommodations Fund expenses are:
- Transfer to The City of Winnipeg Fleet Management - Special Operating Agency for insurance, manufacturing services, and rental on vehicles and equipment owned/leased by the Agency is $916 thousand (2016 - $961 thousand)
- Transfer from the Insurance Reserve Fund for recovery of insurance claims is $225 thousand (2016 - $142 thousand);
- Transfer to the Computer Replacement Reserve Fund is $19 thousand (2016 - $11 thousand);
- Transfer to the Commitment Reserve Fund is $672 thousand (2016 - nil);
- Transfer to the General Revenue Fund for general government charges is $617 thousand (2016 - $614 thousand), which represents the estimated share of The City of Winnipeg's general expenses applicable to the Municipal Accommodations Fund;
- Transfer to the General Revenue Fund for global savings is $94 thousand (2016 - $94 thousand); and
- Transfer to the City of Winnipeg Parking Authority - Special Operating Agency for parking space rental is $7 thousand (2016 - $9 thousand).

b) Funds that transferred revenue to the Municipal Accommodations Fund were the following:

| | **2017** | 2016 |
|---|---|---|
| General Revenue Fund | **$ 67,319** | $ 66,152 |
| Sewage Disposal System | **1,160** | 1,199 |
| Waterworks System | **1,073** | 1,089 |
| Fleet Management - Special Operating Agency | **741** | 742 |
| Municipal Accommodations Fund | **592** | 592 |
| Transit System | **383** | 301 |
| Winnipeg Parking Authority - Special Operating Agency | **254** | 283 |
| Solid Waste Disposal Fund | **253** | 242 |
| Animal Services - Special Operating Agency | **212** | 212 |
| Land Operating Reserve | **12** | 34 |
| Wading and Outdoor Pool Extended Season Reserve Fund | **-** | 102 |
| | **$ 71,999** | $ 70,948 |

The majority of transfers represent charges for facility costs which include market rent, operating costs, maintenance costs and portfolio overheads.

### *9. Expenses by Object*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| Services, materials and supplies | **$ 36,450** | **$ 34,150** | $ 33,770 |
| Salaries and employee benefits | **20,742** | **20,384** | 20,370 |
| Transfer to General Revenue Fund | **10,933** | **11,682** | 14,849 |
| Transfer to General Capital Fund | **8,856** | **9,027** | 5,538 |
| Other grants and transfers | **1,223** | **1,871** | 1,203 |
| Debt and finance charges | **569** | **577** | 577 |
| Recoveries | **(3,530)** | **(3,304)** | (3,138) |
| | **$ 75,243** | **$ 74,387** | $ 73,169 |

### *10. Related Party Transactions*

Included in these financial statements are revenue and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Municipal Accommodations Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

### *11. Comparative Figures*

Certain comparative figures have been reclassified to conform with the current year's presentation.


# 2017 Utilities
## Detailed Financial Statements

Photo: City of Winnipeg

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

The City of Winnipeg Transit Department provides reliable, comfortable and accessible public transit service to the citizens of Winnipeg through the provision of three services - regular transit, Handi-transit, and chartered bus and special events transit service. The department's mission is to provide the best public transit service possible and to be the mode of choice for travel to the City's major activity centres.

Passenger revenue increased by $0.458 million from 2016, a 0.6 % increase. Revenue passengers for 2017 numbered 48.1 million, a 0.8% decrease from 2016.

In 2017 the Province of Manitoba provide an operating transfer of $40.1 million to Winnipeg's transit system. This is the same level of funding as the previous year. The Province of Manitoba's capital grant commitment was $9.2 million, decreasing by $1.5 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included $9.2 million received from the Federal Gas Tax Reserve, $5.17 million from the Bus Replacement Reserve and $97 thousand from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Reserve. $2.3 million of Federal funding was recorded under the PTIF program for the Expansion of Transit Vehicle Overhaul and Maintenance Facilities and $0.9 million of Federal funding was recorded for the PPP Canada share of eligible costs to date on the South West Rapid Transitway (Stage 2) and Pembina Highway Underpass project.

The appropriation from the General Revenue Fund decreased by $16.6 million from the previous year. The decrease was mainly due to a reduction in the Cash to Capital transfer and the Department's contribution to City of Winnipeg's cost mitigation strategy. The 2017 transfer to the General Capital fund decreased by $15.2 million and Transit's contribution to the cost mitigation strategy was $1.8 million.

Passenger, charter and advertising revenues increased by $0.55 million. Operating expenses increased by $4.47 million from the previous year mainly due to the impact of contractual agreements on salaries and benefits and an increase in fuel expense.

Several achievements were realized during the year, including:

- The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Project - Construction began on all major aspects of the project and Station Stadium at Investors Group Field was completed.

- The City awarded the construction contract for the Transit Vehicle Overhaul and Maintenance Facilities Expansion project. Construction on this $53.2 million project began in November, 2017. The expansion will provide upgrades needed to meet the technological and maintenance capacity requirements of the current and future bus fleet.

- The City hosted the 2017 Canada Summer Games with Transit playing a key role in bus transportation for the 4,000 athletes and coaches in attendance. Using both Transit equipment and contractors the City provided approximately 7,000 hours of dedicated service to participants during the Games.

- The City received approval for Federal and Provincial funding support under the Public Transit Infrastructure Fund (PTIF) for Transit projects totaling over $113 million. This program will help fund several projects including the Vehicle Overhaul and Maintenance Facilities project, bus purchases and the completion of a Rapid Transit Master Plan.

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Regular cash fare** | **$ 2.70** | $ 2.65 | $ 2.60 | $ 2.55 | $ 2.50 |
| **Handi-transit** | | | | | |
| Annual ridership (in thousands) | **473.4** | 467.9 | 459.4 | 465.7 | 487.5 |
| Total cost per passenger | **$ 24.30** | $ 23.25 | $ 22.74 | $ 22.96 | $ 21.07 |
| Revenue to cost ratio | **7%** | 10% | 7% | 8% | 11% |
| **Regular transit** | | | | | |
| Annual ridership (in millions) | **48.1** | 48.5 | 48.2 | 49.9 | 49.6 |
| Bus hours operated (in thousands) | **1,549** | 1,542 | 1,523 | 1,525 | 1,517 |
| Direct operating cost per passenger | **$ 3.12** | $ 3.02 | $ 2.91 | $ 2.80 | $ 2.63 |
| Direct operating cost per vehicle hour | **$ 96.92** | $ 94.92 | $ 92.15 | $ 91.59 | $ 85.98 |
| Revenue to cost ratio | **54%** | 55% | 57% | 57% | 61% |
| Municipal operating cost per capita | **$ 69.19** | $ 93.12 | $ 61.93 | $ 63.01 | $ 61.76 |

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 298** | $ 276 |
| Accounts receivable (Note 3) | **14,771** | 8,327 |
| Due from General Revenue Fund (Note 4) | **6,061** | - |
| | **21,130** | 8,603 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities | **5,908** | 3,235 |
| Expropriation liability | **11,241** | 11,900 |
| Deferred revenue | **557** | 616 |
| Due to General Revenue Fund (Note 4) | **-** | 7,016 |
| Debt (Note 5) | **124,851** | 109,671 |
| | **142,557** | 132,438 |
| ***NET FINANCIAL LIABILITIES*** | **(121,427)** | (123,835) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 6) | **353,560** | 344,700 |
| Inventory (Note 7) | **5,934** | 6,205 |
| Prepaid expenses | **976** | 945 |
| | **360,470** | 351,850 |
| ***ACCUMULATED SURPLUS*** (Note 8) | **$ 239,043** | $ 228,015 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***REVENUES*** | | | |
| System generated (Note 9) | **$ 85,130** | **$ 82,934** | $ 82,387 |
| Appropriation from General Revenue Fund | **55,126** | **53,326** | 69,919 |
| Provincial Government transfers (Note 10) | **50,235** | **41,938** | 41,980 |
| Interest and other | **794** | **888** | 590 |
| Total revenues from operations | **191,285** | **179,086** | 194,876 |
| ***EXPENSES*** | | | |
| Operations (Note 11) | **83,534** | **78,040** | 76,655 |
| Plant and equipment (Note 12) | **59,479** | **55,918** | 53,893 |
| Client Services | **12,468** | **12,638** | 12,059 |
| Other departmental (Note 13) | **12,373** | **11,780** | 11,590 |
| Finance and administration | **3,354** | **3,018** | 2,824 |
| Planning, schedules and marketing | **2,425** | **2,166** | 2,072 |
| Information systems | **1,752** | **1,647** | 1,603 |
| Human resources | **709** | **681** | 681 |
| Asset Management | **343** | **215** | 260 |
| Total expenses from operations (Note 14) | **176,437** | **166,103** | 161,637 |
| Surplus for the year from operations | **14,848** | **12,983** | 33,239 |
| Net deficit from capital (Note 15) | **(14,848)** | **(1,955)** | (22,258) |
| ***NET SURPLUS FOR THE YEAR*** | **$ -** | **11,028** | 10,981 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **228,015** | 217,034 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 239,043** | $ 228,015 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 11,028** | $ 10,981 |
| Non-cash items related to operations | | |
| Amortization | **22,648** | 22,704 |
| Loss on disposal of tangible capital assets | **194** | 70 |
| Working capital from operations | **33,870** | 33,755 |
| Net change in other working capital | **(3,590)** | (12,956) |
| | **30,280** | 20,799 |
| ***FINANCING*** | | |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | **(386)** | (315) |
| Debt issued | **18,974** | 2,309 |
| Payments on long term debt | **(2,144)** | (2,102) |
| Payments to The Sinking Fund Trustees for outstanding debt | **(1,264)** | (1,264) |
| Expropriation liability | **(659)** | 11,900 |
| Due to/from General Revenue Fund | **(13,077)** | 16,296 |
| | **1,444** | 26,824 |
| ***INVESTING*** | | |
| Acquisition and construction of tangible capital assets | **(31,702)** | (47,680) |
| | **(31,702)** | (47,680) |
| Increase (decrease) in cash | **22** | (57) |
| ***CASH, BEGINNING OF YEAR*** | **276** | 333 |
| ***CASH, END OF YEAR*** | **$ 298** | $ 276 |

*See accompanying notes and schedule to the financial statements*

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### *1. Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, and insurance claims which are accounted for on a cash basis.

#### b) Inventory

Inventory is recorded at the lower of cost or net replacement cost.

#### c) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 10 to 50 years |
| Vehicles | 5 to 18 years |
| Land improvements | 10 to 30 years |
| Roads, tunnels and bridges | 30 to 50 years |
| Other equipment | 3 to 10 years |

Capital work in progress is not amortized until the asset is available for productive use.

## 1. *Significant Accounting Policies (continued)*

### d) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the financial statements.

### e) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

## 2. *Status of the Transit System*

The City of Winnipeg, under the provisions of The City of Winnipeg Charter, has been provided the authority to operate a public transit system. The history of public transportation in the City began with the formation of the Winnipeg Street Railway Company in 1882 using horse drawn cars and sleighs and evolved to the modern buses of today. The Transit System's mission statement is to provide the best public transportation service possible and to be the mode of choice for travel to the City's major activity centres.

Funding of operations is through user fees, appropriations from The City of Winnipeg's General Revenue Fund, and a Province of Manitoba annual operating grant.

## 3. *Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Government of Canada | **$ 6,076** | $ 2,885 |
| Province of Manitoba | **6,043** | 3,598 |
| Fare products, charter and other | **2,652** | 1,844 |
| | **$ 14,771** | $ 8,327 |

## *4. Due to/from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank, and the amounts reported as cash represent bank deposits not yet charged to this account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

## *5. Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2017** | 2016 |
|---|---|---|---|---|---|---|
| 2010-2041 | June 3 | 5.150 | WB | 183/2008 | **$ 60,000** | $ 60,000 |
| 2011-2051 | Nov 15 | 4.300 | WC | 150/09 | **29,750** | 29,750 |
| 2015-2045 | May 16 | 3.828 | WD-3 | 6/2015 | **3,619** | 3,619 |
| | | | | | **93,369** | 93,369 |
| Funds on deposit with the Sinking Funds (Note 5b) | | | | | **(9,626)** | (7,976) |
| Net sinking fund debentures outstanding | | | | | **83,743** | 85,393 |

**Other long term debt outstanding**

| | **2017** | 2016 |
|---|---|---|
| Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.40% (2016 - 4.27%) | **150** | 225 |
| Bank of Nova Scotia revolving term loan due June 30, 2020 with an interest rate of the bank's prime rate minus 1.05% | **18,500** | - |
| General Capital Fund debt issued by the City with varying maturities up to 2035 and a weighted average interest rate of 1.97% (2016 - 1.95%). Individual interest rates range from 0 to 7.25% | **22,458** | 24,053 |
| | **$ 124,851** | $ 109,671 |

## 5. *Debt (continued)*

Principal retirement on debt over the next five years are as follows:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ - | $ 93,369 |
| Serial debentures | 75 | 75 | - | - | - | - |
| Revolving term loan | - | - | 18,500 | - | - | - |
| General Capital Fund debt | 2,212 | 2,172 | 2,169 | 2,058 | 2,073 | 11,774 |
| | $ 2,287 | $ 2,247 | $ 20,669 | $ 2,058 | $ 2,073 | $ 105,143 |

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and the various utilities, including the Transit System, in the amounts shown in the issuing by-law.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The Winnipeg Transit System is currently paying between one to two percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) The Fund has a revolving term loan from the Bank of Nova Scotia for the purpose of financing the construction of Southwest Rapid Transit corridor to a maximum amount of $31.0 million. The credit facility bears interest at the bank's prime rate minus 1.05% per annum and is secured by a general security agreement. The loan is due June 30, 2020 but repayment can be made at any time. Interest is payable monthly. The balance at December 31, 2017 is $18.5 million (2016 - $nil).

d) Included in interest and finance charges expense is $443 thousand (2016 - $468 thousand) paid to the General Capital Fund.

e) Cash paid for interest during the year was $4.5 million (2016 - $4.5 million).

### 6. *Tangible Capital Assets*

| | Net Book Value 2017 | Net Book Value 2016 |
|---|---|---|
| Vehicles | **$ 118,056** | $ 112,048 |
| Buildings | **33,459** | 34,263 |
| Land improvements | **7,766** | 9,714 |
| Land | **26,887** | 27,076 |
| Roads, bridges and tunnels | **109,599** | 112,653 |
| Other | **15,339** | 18,197 |
| Assets under construction | **42,454** | 30,749 |
| | **$ 353,560** | $ 344,700 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

### 7. *Inventory*

| | 2017 | 2016 |
|---|---|---|
| Stores | **$ 5,903** | $ 6,174 |
| Tickets, passes and other | **31** | 31 |
| | **$ 5,934** | $ 6,205 |

### 8. *Accumulated Surplus*

| | 2017 | 2016 |
|---|---|---|
| Appropriated | **$ 6,249** | $ 11,147 |
| Unappropriated | **422** | 1,046 |
| Retained earnings | **6,671** | 12,193 |
| Invested in tangible capital assets | **232,372** | 215,822 |
| | **$ 239,043** | $ 228,015 |

### 9. *System Generated*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| Passenger | **$ 81,068** | **$ 79,078** | $ 78,620 |
| Advertising rights | **2,580** | **2,369** | 2,551 |
| Charter and other | **1,482** | **1,487** | 1,216 |
| | **$ 85,130** | **$ 82,934** | $ 82,387 |

### *10. Provincial Government Transfers*

The Provincial Government provided transfers of $40.1 million (2016 - $40.1 million) towards the operation of the Transit System, $1.9 million (2016 - $1.9 million) as a Local Government Support Transfer and $9.2 million (2016 - $10.7 million) as a Capital Transfer.

### *11. Operations*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| Bus operators | **$ 75,765** | **$ 71,176** | $ 69,758 |
| Inspectors | **4,261** | **3,605** | 3,560 |
| Operations administration | **2,214** | **1,964** | 2,113 |
| Instruction | **1,294** | **1,295** | 1,224 |
| | **$ 83,534** | **$ 78,040** | $ 76,655 |

### *12. Plant and Equipment*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| Vehicle maintenance and overhaul | **$ 28,792** | **$ 26,496** | $ 26,748 |
| Bus servicing | **18,992** | **18,792** | 16,624 |
| Facilities maintenance | **7,836** | **6,895** | 6,607 |
| Maintenance administration | **3,859** | **3,735** | 3,914 |
| | **$ 59,479** | **$ 55,918** | $ 53,893 |

### *13. Other Departmental*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| Interest and finance charges | **$ 5,014** | **$ 5,015** | $ 5,047 |
| Taxes | **2,903** | **2,795** | 2,749 |
| Insurance and claims | **1,895** | **1,764** | 1,660 |
| General government charges and other | **1,718** | **1,302** | 1,229 |
| Employee benefits | **843** | **904** | 905 |
| | **$ 12,373** | **$ 11,780** | $ 11,590 |

## *13. Other Departmental (continued)*

### a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2017 is estimated at $5.8 million (2016 - $5.6 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $5.8 million (2016 - $6.5 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $4.7 million (2016 - $6.3 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be $8.1 million (2016 - $6.8 million).

Transit System's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $8.2 million (2016 - $8.0 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and has an actuarial surplus.

### b) General government charges

Included in general government charges and other is $797 thousand (2016 - $793 thousand) in general government charges to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

### c) Civic accommodation charges

Included in expenses is $383 thousand (2016 - $301 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

### d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2017, realty and business taxes paid to the General Revenue Fund was $804 thousand (2016 - $792 thousand).

## *13. Other Departmental (continued)*

### e) Insurance

During 2017 nil was transferred to the Insurance Reserve (2016 - $220 thousand). $26 thousand was transferred from the Insurance Reserve to the Transit System (2016 - nil).

### f) 311 and business technology services

Included in expenses is $783 thousand (2016 - $783 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

## *14. Expenses by Object*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| Salaries and wages | **$ 96,589** | **$ 91,688** | $ 88,990 |
| Materials and supplies | **30,652** | **29,778** | 28,857 |
| Employee benefits | **19,656** | **18,116** | 18,483 |
| Services | **17,954** | **16,022** | 15,618 |
| Interest on debt | **4,957** | **4,959** | 4,989 |
| Taxes - municipal and payroll | **2,903** | **2,795** | 2,750 |
| Other | **3,675** | **2,645** | 1,891 |
| Insurance and transfer to Insurance Reserve | **1,896** | **2,220** | 2,280 |
| Recoveries | **(1,845)** | **(2,120)** | (2,221) |
| | **$ 176,437** | **$ 166,103** | $ 161,637 |

## *15. Net Deficit from Capital*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| **Revenues** | | | |
| Transfer from Federal Gas Tax Reserve | **$ -** | **$ 9,208** | $ 3,517 |
| Province of Manitoba capital transfers (Note 10) | **-** | **9,167** | 10,651 |
| Transfer from Transit Bus Replacement Reserve | **-** | **5,170** | 1,868 |
| Government of Canada capital transfers | **-** | **3,194** | 2,881 |
| Transfer from SW Rapid Transitway Pmt Reserve | **-** | **97** | - |
| Other capital funding | **-** | **-** | 5,600 |
| Transfer from Land Operating Reserve | **-** | **-** | 1,144 |
| Transfer from SWRT Corridor Reserve | **-** | **-** | 523 |
| | **-** | **26,836** | 26,184 |
| **Expenses** | | | |
| Amortization | **3,824** | **22,648** | 22,704 |
| Transfer to SW Transit Payment Reserve | **5,100** | **3,400** | 1,700 |
| Transfer to capital | **1,986** | **1,986** | 17,173 |
| Work in process costs expensed in year | **-** | **403** | 237 |
| Loss on disposal of tangible capital assets | **-** | **194** | 70 |
| Transfer to Transit Bus Replacement Reserve | **3,938** | **160** | 6,558 |
| | **14,848** | **28,791** | 48,442 |
| | **$ (14,848)** | **$ (1,955)** | $ (22,258) |

### *16. Related Party Transactions*

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the Transit System is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

### *17. Comparative Figures*

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | Vehicles | Buildings | Land Improvements |
|---|---|---|---|
| **Cost** | | | |
| Balance, beginning of year | $ 238,424 | $ 45,609 | $ 28,032 |
| Add: Additions during the year | 18,548 | 466 | - |
| Less: Disposals during the year | (9,612) | - | - |
| Balance, end of year | 247,360 | 46,075 | 28,032 |
| **Accumulated amortization** | | | |
| Balance, beginning of year | (126,376) | (11,346) | (18,318) |
| Add: Amortization | (12,346) | (1,270) | (1,948) |
| Less: Accumulated amortization on disposal | 9,418 | - | - |
| Balance, end of year | (129,304) | (12,616) | (20,266) |
| **Net Book Value of Tangible Capital Assets** | $ 118,056 | $ 33,459 | $ 7,766 |

| Land | Roads, Bridges, and Tunnels | Other | Assets Under Construction | **2017** | 2016 |
|---|---|---|---|---|---|
| $ 27,076 | $ 131,215 | $ 37,869 | $ 30,749 | **$ 538,974** | $ 497,298 |
| (189) | 546 | 626 | 11,705 | **31,702** | 47,680 |
| - | - | - | | **(9,612)** | (6,004) |
| 26,887 | 131,761 | 38,495 | 42,454 | **561,064** | 538,974 |
| - | (18,562) | (19,672) | - | **(194,274)** | (177,504) |
| - | (3,600) | (3,484) | - | **(22,648)** | (22,704) |
| - | - | - | - | **9,418** | 5,934 |
| - | (22,162) | (23,156) | - | **(207,504)** | (194,274) |
| $ 26,887 | $ 109,599 | $ 15,339 | $ 42,454 | **$ 353,560** | $ 344,700 |

Photo: Courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems, one water treatment plant, and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, utility dividend and transfers to the Water Main Renewal Reserve.

The water treatment plant commenced the delivery of water to the City December 2009. The total cost was $300 million. The plant has a treatment capacity of 400 million litres per day and was constructed to enhance public health protection. The benefits of water treatment are: reduced risk of waterborne disease, reduced levels of disinfection by-products, and to meet more stringent Canadian drinking water quality guidelines as required by our Public Water System Operating License.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy stated the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. On March 3, 2015, as part of the 2015 budget adoption process, Council amended the rate from 8% to 12% of budgeted gross water sales.

The Waterworks System utility dividend was $14.9 million in 2017 (2016 - $13.2 million).

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

### FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Block 1 rate in dollars (per cu. metre) | **$ 1.78** | $ 1.63 | $ 1.45 | $ 1.42 | $ 1.39 |
| Annual water pumped (million litres) | **69,005** | 69,096 | 71,100 | 76,831 | 74,374 |
| Water pumped in litres per capita per day | **252** | 260 | 271 | 297 | 285 |
| Average daily water pumped (million litres per day) | **189** | 189 | 195 | 211 | 204 |
| Maximum day water pumping rates (million litres per day) | **236** | 221 | 240 | 261 | 260 |
| Maximum hour water pumping rates (million litres per day) | **342** | 342 | 337 | 375 | 369 |
| Kilometres of aqueduct | **174.5** | 174.5 | 174.5 | 174.5 | 174.5 |
| Kilometres of feeder mains | **151.6** | 151.9 | 151.9 | 149.9 | 149.9 |
| Kilometres of water mains | **2,659.8** | 2,637.1 | 2,614.2 | 2,592.3 | 2,584.7 |
| Number of hydrants | **22,376** | 22,045 | 21,919 | 21,692 | 21,335 |
| Number of billed services | **208,008** | 205,759 | 203,607 | 201,565 | 199,626 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 2** | $ 2 |
| Accounts receivable (Note 3) | **24,909** | 21,764 |
| Inventories | **1,429** | 1,533 |
| Prepaid expenses | **1** | 1 |
| | **26,341** | 23,300 |
| Tangible capital assets (Note 5) | **952,786** | 934,087 |
| Deferred charges (Note 6) | **1,757** | 1,850 |
| | **$ 980,884** | $ 959,237 |
| ***LIABILITIES*** | | |
| Current | | |
| Due to General Revenue Fund (Note 4) | **$ 17,811** | $ 19,004 |
| Accounts payable and accrued liabilities (Note 7) | **7,118** | 6,669 |
| Current portion of long-term debt (Note 8) | **3,057** | 3,050 |
| | **27,986** | 28,723 |
| Long-term debt (Note 8) | **124,548** | 129,017 |
| | **152,534** | 157,740 |
| ***ACCUMULATED SURPLUS (Note 9)*** | **828,350** | 801,497 |
| | **$ 980,884** | $ 959,237 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sale of goods and services (Note 10) | **$ 124,741** | **$ 123,891** | $ 106,764 |
| Government transfers and permits | **2,122** | **2,179** | 2,105 |
| Interest | **1,501** | **1,587** | 1,390 |
| Other | **138** | **239** | 190 |
| Total revenues | **128,502** | **127,896** | 110,449 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Water distribution | **47,233** | **45,577** | 43,047 |
| Debt and finance | **12,951** | **8,493** | 8,495 |
| Taxes, employee benefits and other (Note 11) | **7,222** | **6,404** | 6,274 |
| Engineering services | **3,916** | **4,007** | 4,000 |
| Finance and administration | **4,031** | **3,623** | 3,727 |
| Information systems and technology | **2,318** | **2,156** | 2,274 |
| Customer services | **1,545** | **1,435** | 1,407 |
| Environmental standards | **1,522** | **1,398** | 1,486 |
| Human resources | **1,125** | **928** | 999 |
| Total expenses from operations | **81,863** | **74,021** | 71,709 |
| Surplus for the year from operations | **46,639** | **53,875** | 38,740 |
| Transfers to other funds (Note 12) | **31,443** | **31,443** | 29,705 |
| Net surplus from operations after transfers to other funds | **15,196** | **22,432** | 9,035 |
| Net surplus / (loss) from capital (Schedule 4) | **-** | **4,421** | (2,299) |
| ***NET SURPLUS FOR THE YEAR*** | **$ 15,196** | **26,853** | 6,736 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **801,497** | 794,761 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 828,350** | $ 801,497 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 26,853** | $ 6,736 |
| Non-cash items related to operations | | |
| Amortization | **24,057** | 23,252 |
| Loss on disposal of tangible capital assets | **25** | - |
| Working capital from operations | **50,935** | 29,988 |
| Change in net working capital other than cash | **(2,585)** | (2,719) |
| | **48,350** | 27,269 |
| ***FINANCING*** | | |
| Amortization of debenture discount | **93** | 92 |
| Debt retired | **(221)** | (214) |
| Due to General Revenue Fund | **(1,193)** | 11,072 |
| Interest on sinking fund | **(1,412)** | (1,229) |
| Payments to sinking fund | **(2,836)** | (2,836) |
| | **(5,569)** | 6,885 |
| ***INVESTING*** | | |
| Purchase of tangible capital assets | **(42,781)** | (34,154) |
| Cash, beginning of year | **2** | 2 |
| Decrease in cash | **-** | - |
| Cash, end of year | **$ 2** | $ 2 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

**a) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 10 to 50 years |
| Machinery and equipment | 10 to 40 years |
| Information systems | 5 to 10 years |
| Bridges and structures | 25 to 30 years |
| Water and sewage plants and networks: | |
| Underground networks | 50 to 100 years |
| Water pumping stations and reservoirs | 50 to 75 years |

Assets under construction are not amortized until the asset is available for productive use.

**b) Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

**c) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

## *1. Significant Accounting Policies (continued)*

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

### d) Debenture discounts and issue expenses

Issue expenses are charged to operations in the year of the related debenture issue and discounts on debentures issued are amortized over future periods to which they relate.

### e) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid $3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band.

### f) Water Main Renewal Reserve

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002. In 2009, City Council directed that the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Since 2009, the Water Main Renewal Reserve is funded through water rates.

## *2. Status of the Waterworks System*

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems, a water treatment plant and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

### 3. *Accounts Receivable*

| | 2017 | 2016 |
|---|---|---|
| Water billings and other | **$ 25,309** | $ 22,164 |
| Allowance for doubtful accounts | **(400)** | (400) |
| | **$ 24,909** | $ 21,764 |

### 4. *Due to / from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

### 5. *Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | 2017 | 2016 |
| Land | **$ 1,824** | $ 1,824 |
| Buildings | **3,244** | 3,349 |
| Machinery and equipment | **1,092** | 1,031 |
| Computer | **5,801** | 6,854 |
| Underground networks | **618,113** | 599,290 |
| Road and bridges | **6,352** | 6,549 |
| Water pumping stations and reservoirs | **314,863** | 313,487 |
| Assets under construction | **1,497** | 1,703 |
| | **$ 952,786** | $ 934,087 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2017 and 2016 there were no write-downs of tangible capital assets, and interim financing charges capitalized during 2017 were $233 thousand (2016 - $188 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled $8.9 million in 2017 (2016 - $4.2 million) and were capitalized at their fair value at the time of receipt.

### 6. *Deferred Charges*

| | 2017 | 2016 |
|---|---|---|
| Deferred debenture discount | **$ 1,757** | $ 1,850 |

### 7. *Accounts Payable and Accrued Liabilities*

| | 2017 | 2016 |
|---|---|---|
| Accrued debenture interest | **$ 3,807** | $ 3,807 |
| Other accrued liabilities | **1,321** | 1,158 |
| Trade accounts payable | **711** | 427 |
| Performance deposits (miscellaneous capital holdbacks) | **646** | 813 |
| Deferred revenue and other | **633** | 464 |
| | **$ 7,118** | $ 6,669 |

## 8. *Long Term Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt 2017 | 2016 |
|---|---|---|---|---|---|---|
| 2006-2036 | July 17 | 5.200 | VZ | 183/2004 and 72/2006 | **$ 60,000** | $ 60,000 |
| 2008-2036 | July 17 | 5.200 | VZ | 72/2006 B | **100,000** | 100,000 |
| | | | | | **160,000** | 160,000 |
| Equity in Sinking Funds (Note 8b) | | | | | **(34,318)** | (30,070) |
| Net sinking fund debentures outstanding | | | | | **125,682** | 129,930 |

**Other long-term debt outstanding**

| | 2017 | 2016 |
|---|---|---|
| Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35% | **1,923** | 2,137 |
| | **127,605** | 132,067 |
| Current portion of long-term debt | **(3,057)** | (3,050) |
| | **$ 124,548** | $ 129,017 |

Principal retirement on long-term debt over the next five years is as follows:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ - | $ 160,000 |
| CMHC | 221 | 229 | 237 | 244 | 253 | 738 |
| | $ 221 | $ 229 | $ 237 | $ 244 | $ 253 | $ 160,738 |

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg Waterworks System is currently paying between two and three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Cash paid for interest during the year was $8.5 million (2016 - $8.5 million).

## 9. *Accumulated Surplus*

| | 2017 | 2016 |
|---|---|---|
| Invested in tangible capital assets | **$ 825,948** | $ 802,020 |
| Retained earnings | **2,402** | (523) |
| | **$ 828,350** | $ 801,497 |

## 10. *Revenue*

Effective January 1, 2017 the block 1 water rate was $1.78 per hundred cubic metres (2016 - $1.63). Water rates completed the transition to a uniform rate for block 1, 2 and 3 in 2016.

## 11. *Taxes, Employee Benefits and Other*

### Property taxes

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2017, tax paid to the General Revenue Fund was $2.8 million (2016 - $2.7 million).

### Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2017 is $3.3 million (2016 - $3.0 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2017 is estimated at $2.0 million (2016 - $2.2 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $2.1 million (2016 - $2.0 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $3.3 million (2016 - $3.5 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $3.6 million (2016 - $3.5 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and has disclosed an actuarial surplus.

## *11. Taxes, Employee Benefits and Other (continued)*

**General government charges**

Included in expenses is $1.1 million (2016 - $1.1 million) in general government service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure.

**Rent**

Included in expenses is $1.1 million (2016 - $1.1 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

**Insurance and damage claims**

Included in expenses is $30 thousand debit (2016 - $105 thousand credit) charged by the City of Winnipeg Insurance Reserve.

## *12. Transfers to Other Funds*

The Waterworks System transfers to other funds are as follows:

| | **2017** | 2016 |
|---|---|---|
| Transfer to Water Main Renewal Reserve | **$ 16,500** | $ 16,500 |
| Utility dividend transfer to General Revenue | **14,943** | 13,205 |
| | **$ 31,443** | $ 29,705 |

Beginning 2011, City Council approved The Utility Dividend Policy that directs the Waterworks System to make annual dividend payments to the City of 8% of adopted budget gross sales. Council increased the utility dividend to 12% of budgeted water sales in 2015.

## *13. Related Party Transactions*

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 1**

## REVENUES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Sale of goods and services** | | | |
| Water sales | **$ 124,541** | **$ 123,632** | $ 106,537 |
| Fire hydrant and other rentals | **121** | **182** | 163 |
| Sale of goods and services | **79** | **77** | 64 |
| | **124,741** | **123,891** | 106,764 |
| **Government transfers, permits and other** | | | |
| Permits and fees | **1,250** | **1,396** | 1,316 |
| Provincial support transfer | **872** | **783** | 789 |
| | **2,122** | **2,179** | 2,105 |
| **Interest** | | | |
| Sinking Fund earnings | **1,411** | **1,412** | 1,229 |
| Capital construction interest | **80** | **232** | 188 |
| Interest | **10** | **(57)** | (27) |
| | **1,501** | **1,587** | 1,390 |
| **Other** | **138** | **239** | 190 |
| **Total revenues** | **$ 128,502** | **$ 127,896** | $ 110,449 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Water treatment and distribution** | | | |
| Water treatment plant | **$ 18,714** | **$ 18,862** | $ 17,440 |
| Water main maintenance | **10,603** | **7,500** | 7,176 |
| Service pipe maintenance | **5,248** | **5,911** | 6,158 |
| Hydrant maintenance | **2,238** | **2,797** | 2,667 |
| Railway maintenance and operations | **2,391** | **2,328** | 2,007 |
| General administration | **2,194** | **2,258** | 1,717 |
| Emergency services | **2,074** | **2,041** | 2,045 |
| Water meter maintenance | **1,343** | **1,423** | 1,176 |
| Valve maintenance | **1,131** | **1,060** | 1,428 |
| Stores - 552 Plinguet | **479** | **596** | 453 |
| Intake operation | **578** | **568** | 575 |
| Mechanical/civil/electrical maintenance allocation | **158** | **153** | 149 |
| Meter shop | **82** | **80** | 56 |
| | **47,233** | **45,577** | 43,047 |
| **Corporate Division** | | | |
| **Taxes, employee benefits and other** | | | |
| Property taxes | **3,244** | **3,239** | 3,128 |
| Rent | **1,074** | **1,074** | 1,104 |
| General government charges | **1,069** | **1,069** | 1,064 |
| Provincial payroll tax | **883** | **820** | 786 |
| Employee benefits | **882** | **714** | 837 |
| Insurance and damage claims | **615** | **504** | 484 |
| Other services | **305** | **147** | 219 |
| Transfer to (from) insurance reserve | **-** | **30** | (105) |
| Recoveries | **(850)** | **(1,193)** | (1,243) |
| | **7,222** | **6,404** | 6,274 |
| **Debt and finance** | | | |
| Long-term debt | | | |
| Interest | **8,397** | **8,400** | 8,401 |
| Finance charges | **92** | **93** | 94 |
| Amortization | **4,462** | **-** | - |
| | **12,951** | **8,493** | 8,495 |

## THE CITY OF WINNIPEG
## WATERWORKS SYSTEM

**Schedule 2**

### EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Engineering services division** | | | |
| Water planning | **1,156** | **1,460** | 1,411 |
| Design and construction | **653** | **619** | 659 |
| Drafting and graphics | **611** | **529** | 531 |
| Administration | **376** | **346** | 350 |
| Customer technical services | **391** | **324** | 419 |
| Engineer designate support | **271** | **322** | 300 |
| Asset management | **265** | **234** | 195 |
| Services development | **193** | **173** | 135 |
| | **3,916** | **4,007** | 4,000 |
| **Finance and administration division** | | | |
| Customer billing | **2,643** | **2,442** | 2,479 |
| Accounting services | **394** | **400** | 408 |
| Capital planning | **265** | **219** | 225 |
| Plinguet operational support | **257** | **218** | 222 |
| Office of the Director | **161** | **143** | 178 |
| Knowledge management | **162** | **117** | 132 |
| Rates and business analysis | **149** | **84** | 83 |
| | **4,031** | **3,623** | 3,727 |
| **Information systems and technology division** | | | |
| Support services | **989** | **990** | 965 |
| Major systems | **1,005** | **738** | 989 |
| Planning and design | **324** | **428** | 320 |
| | **2,318** | **2,156** | 2,274 |
| **Customer services division** | | | |
| Customer relations | **1,067** | **1,006** | 1,003 |
| Administration | **274** | **268** | 256 |
| Communications | **204** | **161** | 148 |
| | **1,545** | **1,435** | 1,407 |
| **Environmental standards division** | | | |
| Analytical services | **896** | **852** | 887 |
| Compliance | **379** | **349** | 341 |
| Administration | **247** | **197** | 258 |
| | **1,522** | **1,398** | 1,486 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| **Human resources division** | | | |
| Human resources | **526** | **447** | 477 |
| Timekeeping and payroll | **205** | **183** | 192 |
| Work place health and safety | **194** | **163** | 168 |
| Human resources training | **200** | **135** | 162 |
| | **1,125** | **928** | 999 |
| **Total expenses from operations** | **81,863** | **74,021** | 71,709 |
| **Transfers to other funds (Note 12)** | | | |
| Transfer to Water Main Renewal Reserve | **16,500** | **16,500** | 16,500 |
| Dividend transfer to General Revenue | **14,943** | **14,943** | 13,205 |
| **Total transfers to other funds** | **31,443** | **31,443** | 29,705 |
| **Total expenses** | **$ 113,306** | **$ 105,464** | $ 101,414 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 3**

## EXPENSES BY OBJECT

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| Salaries | **$ 40,266** | **$ 38,003** | $ 36,959 |
| Goods and services | **37,502** | **34,945** | 33,974 |
| Transfers | **33,602** | **33,843** | 31,789 |
| Interest on long-term debt | **8,489** | **8,493** | 8,494 |
| Employee benefits | **7,708** | **7,180** | 7,305 |
| Other expenses | **4,714** | **4,533** | 4,452 |
| Grants | **124** | **94** | 129 |
| Finance charges | **75** | **57** | 154 |
| Amortization/sinking fund | **4,462** | **-** | - |
| Recoveries | **(23,636)** | **(21,684)** | (21,842) |
| **Total expenses** | **$ 113,306** | **$ 105,464** | $ 101,414 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 4**

## NET SURPLUS (LOSS) FROM CAPITAL

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Actual** | 2016 Actual |
|---|---|---|
| **Revenues** | | |
| Transfers | | |
| Water Main Renewal Reserve | **$ 19,817** | $ 16,081 |
| From Utility Operations | **212** | - |
| General Capital Fund | **121** | 357 |
| Sewage Disposal System | **100** | 315 |
| | **20,250** | 16,753 |
| Developer contributions-in-kind | **8,980** | 4,202 |
| Total revenue from capital | **29,230** | 20,955 |
| **Expenses** | | |
| Amortization | **24,057** | 23,252 |
| Other expenses | **727** | 2 |
| Loss on disposal of tangible capital assets | **25** | - |
| **Total expenses from capital** | **24,809** | 23,254 |
| **Net surplus / (loss) from capital** | **$ 4,421** | $ (2,299) |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | General | | | |
|---|---|---|---|---|
| | Land | Buildings | Machinery and Equipment | Computer |
| **Cost** | | | | |
| Balance, beginning of year | $ 1,824 | $ 5,752 | $ 10,312 | $ 41,225 |
| Add: Additions during the year | - | - | 211 | 857 |
| Less: Disposals during the year | - | - | (401) | - |
| Balance, end of year | 1,824 | 5,752 | 10,122 | 42,082 |
| **Accumulated amortization** | | | | |
| Balance, beginning of year | - | 2,403 | 9,281 | 34,371 |
| Add: Amortization | - | 105 | 150 | 1,910 |
| Less: Accumulated amortization on disposals | - | - | (401) | - |
| Balance, end of year | - | 2,508 | 9,030 | 36,281 |
| **Net Book Value of Tangible Capital Assets** | $ 1,824 | $ 3,244 | $ 1,092 | $ 5,801 |

**Schedule 5**

| Infrastructure | | | | Totals | |
|---|---|---|---|---|---|
| Underground Networks | Roads and Bridges | Water Pumping Stations and Reservoirs | Assets Under Construction | **2017** | 2016 |
| $ 869,485 | $ 6,744 | $ 419,693 | $ 1,703 | **$ 1,356,738** | $ 1,327,052 |
| 32,378 | 70 | 9,471 | (206) | **42,781** | 34,154 |
| (3,715) | - | - | - | **(4,116)** | (4,468) |
| 898,148 | 6,814 | 429,164 | 1,497 | **1,395,403** | 1,356,738 |
| 270,195 | 195 | 106,206 | - | **422,651** | 403,867 |
| 13,530 | 267 | 8,095 | - | **24,057** | 23,252 |
| (3,690) | - | - | - | **(4,091)** | (4,468) |
| 280,035 | 462 | 114,301 | - | **442,617** | 422,651 |
| $ 618,113 | $ 6,352 | $ 314,863 | $ 1,497 | **$ 952,786** | $ 934,087 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste services to the residents and businesses of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, and the aquatic environment through adequate collection and treatment of sewage generated in Winnipeg as well as hauled liquid waste received from Winnipeg and surrounding communities. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three sewage treatment plants, biosolids disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund, utility dividend and transfers to the Environmental Projects Reserve and Sewer System Rehabilitation Reserve.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects to protect river quality. River quality is under the jurisdiction of the Province of Manitoba. In 2003, the Clean Environment Commission (CEC) conducted public hearings to review and receive comments on the City's sewage collection and treatment improvement program, and made several recommendations to upgrade and improve the sewage collection and treatment systems. In response Manitoba Sustainable Development issued Environment Act Licences to the City for the North End Sewage Treatment Plant, West End Sewage Treatment Plant and South End Sewage Treatment Plant (NEWPCC, WEWPCC, SEWPCC). The licences stipulate effluent parameters that require upgrades to the sewage treatment plants. The licences require effluent disinfection, nutrient removal, and solids management to be in compliance with the Environment Act. Based on preliminary assessments the upgrade program is estimated to cost $1.4 billion depending on market factors. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The reserve funds ongoing environmental programs and studies including a portion of the sewage collection and treatment system improvements as directed by the Province of Manitoba.

In 2013, a licence was issued under the Environment Act, which governs combined sewer overflows. The Combined Sewer Overflow (CSO) Master Plan - Preliminary Proposal was submitted to the province in which the City has proposed a CSO control limit defined as 85% capture in a representative year. It balances environmental, economic and social values, and will provide a responsible and reasonable recommendation for moving forward with this challenging regulatory issue. This proposal is estimated to cost one billion dollars.

The final SEWPCC upgrade construction contract was awarded in October 2017. The project is currently in the construction phase. An Engineering assignment for the NEWPCC nutrient reduction and recovery, including biosolids handling, was awarded in January, 2016. This project is currently in the conceptual design phase.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy stated the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. On March 3, 2015, as part of the 2015 budget adoption process, Council amended the rate from 8% to 12% of budgeted gross water sales. The Sewage Disposal System dividend was $20.7 million in 2017 (2016 - $18.8 million).

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Rate in dollars (per cubic meter) | **$ 2.55** | $ 2.40 | $ 2.28 | $ 2.21 | $ 2.15 |
| Annual sewage received (million litres)* | **91,956** | 100,716 | 93,245 | 101,750 | 89,423 |
| Daily sewage received (million litres)* | **252.0** | 275.0 | 255.6 | 278.8 | 245.0 |
| Kilometres of interceptor sewers** | **133.3** | 139.7 | 133.8 | 120.0 | 119.4 |
| Kilometres of combined sewers** | **1,021.0** | 1,020.7 | 1,026.2 | 1,026.7 | 1,037.0 |
| Kilometres of wastewater sewers** | **1,485.7** | 1,493.4 | 1,448.4 | 1,436.4 | 1,423.0 |
| Kilometres of storm sewers** | **1,405.6** | 1,395.0 | 1,370.3 | 1,365.0 | 1,359.8 |
| Number of lift stations *** | **75** | 74 | 74 | 74 | 74 |
| Number of billed sewer services | **207,903** | 205,655 | 203,491 | 201,439 | 199,498 |

Note:
* Sewage received is dependent on both levels of precipitation and water conservation efforts.
** Net decrease due to assets being retired.
*** Saint Boniface station came off warranty in 2017 as an additional lift station.

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 1** | $ 1 |
| Due from General Revenue Fund (Note 3) | **85,175** | 80,333 |
| Accounts receivable (Note 4) | **49,497** | 51,511 |
| Prepaid expenses | **585** | 67 |
| Inventory | **273** | 233 |
| | **135,531** | 132,145 |
| Long-term receivable | **5,671** | 4,555 |
| Tangible capital assets (Note 5) | **1,091,838** | 1,026,425 |
| | **$ 1,233,040** | $ 1,163,125 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 6) | **$ 25,615** | $ 26,470 |
| Current portion of long-term debt (Note 7) | **453** | 453 |
| | **26,068** | 26,923 |
| Deferred revenue | **-** | 6,600 |
| Other liabilities | **9,383** | 7,273 |
| Long-term debt (Note 7) | **23,083** | 23,547 |
| | **58,534** | 64,343 |
| ***ACCUMULATED SURPLUS (Note 9)*** | **1,174,506** | 1,098,782 |
| | **$ 1,233,040** | $ 1,163,125 |

Commitment (Note 8)

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sewer services (Note 10) | **$ 172,101** | $ **170,217** | $ 150,038 |
| Government transfers, permits and other | **8,574** | **8,425** | 10,444 |
| Interest | **575** | **702** | 513 |
| Total revenues | **181,250** | **179,344** | 160,995 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Collection, interception and treatment | **49,427** | **47,436** | 46,030 |
| Taxes, employee benefits and other (Note 11) | **16,954** | **16,369** | 14,754 |
| Engineering services | **6,767** | **6,224** | 6,640 |
| Finance and administration | **4,136** | **3,618** | 3,697 |
| Environmental standards | **2,911** | **2,690** | 2,815 |
| Information systems and technology | **3,286** | **2,659** | 2,710 |
| Customer services | **1,257** | **1,153** | 1,145 |
| Human resources | **969** | **886** | 898 |
| Debt and finance | **1,295** | **802** | 337 |
| Total expenses from operations | **87,002** | **81,837** | 79,026 |
| Surplus for the year from operations | **94,248** | **97,507** | 81,969 |
| Transfers to other funds (Note 12) | **69,961** | **68,691** | 61,386 |
| Net surplus from operations after transfer to other funds | **24,287** | **28,816** | 20,583 |
| Net surplus from capital (Schedule 4) | **-** | **46,908** | 36,947 |
| Net surplus for the year | **$ 24,287** | **75,724** | 57,530 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **1,098,782** | 1,041,252 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 1,174,506** | $ 1,098,782 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 75,724** | $ 57,530 |
| Non-cash items related to operations | | |
| Amortization | **23,076** | 22,076 |
| Loss on disposal of tangible capital assets | **149** | 289 |
| Working capital from operations | **98,949** | 79,895 |
| Change in net working capital other than cash | **(5,469)** | (7,171) |
| | **93,480** | 72,724 |
| ***FINANCING*** | | |
| Due from General Revenue Fund | **(4,842)** | (8,581) |
| Proceeds from loan | **-** | 24,000 |
| | **(4,842)** | 15,419 |
| ***INVESTING*** | | |
| Purchase of tangible capital assets | **(88,638)** | (88,143) |
| Cash, beginning of year | **1** | 1 |
| Cash, end of year | **$ 1** | $ 1 |

*See accompanying notes and schedules to the financial statements*

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### *1. Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exceptions:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

**a) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 10 to 50 years |
| Machinery and equipment | 10 to 25 years |
| Information systems | 5 to 10 years |
| Water and sewage plants and networks: | |
| Underground networks | 75 to 100 years |
| Sewage treatment plants and lift stations | 50 to 75 years |

Assets under construction are not amortized until the asset is available for productive use.

**b) Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

**c) Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred or the tangible capital assets are acquired.

*1. Significant Accounting Policies (continued)*

**d) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

**e) Sewer System Rehabilitation Reserve**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding was provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves was to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements. On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Since 2011, the Sewer System Rehabilitation Reserve Fund is funded through sewer rates.

The Director of the Water and Waste Department is the Fund Manager.

**f) Environmental Projects Reserve**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this reserve.

The 2017 sewer rate includes a provision of 31 cents (2016 - 31 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve.

The Director of the Water and Waste Department is the Fund Manager.

## 2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the City's sewage collection and treatment system.

## 3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

## 4. *Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Trade Accounts | **$ 41,922** | $ 37,274 |
| Government of Canada | **6,634** | 7,955 |
| Province of Manitoba | **941** | 6,282 |
| | **$ 49,497** | $ 51,511 |

## 5. *Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2017** | 2016 |
| Land | **$ 1,428** | $ 1,428 |
| Land improvement | **667** | 712 |
| Buildings | **341** | 352 |
| Equipment | **140** | 181 |
| Information technology | **432** | 291 |
| Underground networks | **704,836** | 658,843 |
| Sewage treatment plants and lift stations | **241,628** | 241,832 |
| Assets under construction | **142,366** | 122,786 |
| | **$ 1,091,838** | $ 1,026,425 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2017 there was no write-down of tangible capital assets. Interim financing charges capitalized during 2017 were $114 thousand (2016 - $187 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totaled $11.9 million in 2017 (2016 - $3.9 million) and were capitalized at their fair value at the time of receipt.

## 6. *Accounts Payable and Accrued Liabilities*

| | 2017 | 2016 |
|---|---|---|
| Trade accounts payable | **$ 17,789** | $ 18,722 |
| Deferred Revenue | **6,600** | 6,603 |
| Other accrued liabilities | **599** | 564 |
| Performance deposits | **519** | 516 |
| Accrued debenture interest | **65** | 65 |
| Accrued liabilities -LTEA | **43** | - |
| | **$ 25,615** | $ 26,470 |

## 7. *Long-term Debt*

Sinking fund debentures outstanding

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt 2017 | 2016 |
|---|---|---|---|---|---|---|
| 2016-2045 | June 1 | 3.0303 | WD4 | 5/2015 | **$ 24,000** | $ 24,000 |
| Equity in Sinking Fund (Note 7b) | | | | | **(464)** | - |
| Net Sinking fund debentures outstanding | | | | | **23,536** | 24,000 |
| Current portion of long-term debt | | | | | **(453)** | (453) |
| Net Long-Term Debt | | | | | **$ 23,083** | $ 23,547 |

Principal retirement on long-term debt over the next five years is as follows:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ - | $ 24,000 |

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg Sewage Disposal System is currently paying four percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Cash paid for interest during the year was $0.8 million (2016 - $0.1 million).

## 8. *Commitment*

On April 20, 2011, the City entered into an agreement with VWNA Winnipeg Inc. ("Veolia") for the provision of expert advice to the City to assist with construction and operating improvements to the City's sewage treatment system (the "Program"). The agreement was effective May 1, 2011 and has a term of 30 years subject to certain termination provisions.

The City's sewage treatment system treats and handles sewage and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Sewage Treatment Plants (the "Facilities"). Veolia's role will be to provide services to the City. Representatives of Veolia will work collaboratively with representatives of the City to provide advice and recommendations to the City with respect to the City's (i) management and operation of the Facilities for the handling and treatment of sewage, (ii) assessment, planning and delivery of upgrades and capital modifications to the Facilities, and (iii) assessment, planning and delivery of operational improvements to the Facilities during the term of this agreement. The Program will not include the City's supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the agreement, the City will: retain complete ownership of all the sewage system assets; continue to exercise control over the sewage treatment systems by means of the City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis; continue to control operating and maintenance parameters by which the sewage system shall operate; and retain full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system will be made by the City based upon the best advice of City management and Veolia experts working together.

The agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

Compensation to Veolia under the agreement includes the following components:

1. Re-imbursement of Veolia's actual direct costs related to the Program ("Direct Costs");
2. An agreed upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");
3. For operations and capital projections under the Program, a target cost will be set. Veolia will receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia will receive a share of expense when actual operating costs and/or capital costs are above target costs ("Painshare"); and
4. Key performance indicators ("KPIs") will be established under the Program. Veolia will earn amounts for exceeding established KPIs ("KPI earnings"), and will be deducted amounts for failing to achieve minimum KPIs ("KPI Deductions").

The agreement only guarantees payment to Veolia in respect to the Direct Costs incurred in providing services (item number 1 above).

Amounts earned by Veolia over the term of the agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account ("EARA"). Painshare and KPI deductions reduce the EARA. All of these amounts are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements. If at the end of the 30-year term the EARA is negative, Veolia must repay the City this amount.

The agreement established a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. At December 31, 2017, prepaid expenses include $585 thousand on account of the City's payment of Direct Costs related to the PGS (2016 - $67 thousand). In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

## 8. Commitment (continued)

The direct costs are recorded at the time they became payable to Veolia. The fee amounts are recorded at the time fee payments became due under the terms of the contract. If, in future periods, any of these fee amounts so recorded would become receivable by the City as a result of the application of the Painshare or KPI deduction mechanisms, then the City's entitlement to these amounts would be recorded as a reduction of expenses or a reduction of the related capital asset at the time the events which caused the rebate occurred. The Gainshare, Painshare, KPI earnings, and KPI deductions are recorded at such time that they are determined. To the extent that there are Gainshare and/or KPI Earnings amounts that are subsequently repaid to the City, then these amounts would be recorded as a reduction of expenses or a reduction of the related capital asset at the time the events which caused the rebate occurred.

## 9. Accumulated Surplus

| | **2017** | 2016 |
|---|---|---|
| Invested in tangible capital assets | **$ 1,075,271** | $ 1,016,392 |
| Retained earnings | **99,235** | 82,390 |
| | **$ 1,174,506** | $ 1,098,782 |

## 10. Sewer Services Revenue

The sewer rate for 2017 was $2.55 per cubic meter (2016 - $2.40). The Environmental Projects Reserve contribution for 2017 was 31 cents per cubic meter (2016 - 31 cents).

## 11. Taxes, Employee Benefits and Other

**Property taxes**

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2017, realty taxes paid and transferred to the General Revenue Fund were $11.6 million (2016 - $10.8 million).

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2017 is $1.4 million (2016 - $1.3 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2017 is estimated at $1.4 million (2016 - $1.4 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2017 is estimated at $1.0 million (2016 - $1.0 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $1.3 million (2016 - $1.5 million).

### *11. Taxes, Employee Benefits and Other (continued)*

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $1.6 million (2016 - $1.6 million) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and has disclosed an actuarial surplus.

**General government charges**

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2017, this amounted to $0.9 million (2016 - $0.9 million) and was transferred to the General Revenue Fund.

**Rent**

Included in expenses is $1.2 million (2016 - $1.2 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

**Insurance and damage claims**

Included in expenses is $17 thousand recoverable (2016 - $12 thousand recoverable) from the City of Winnipeg Insurance Reserve.

### *12. Transfers to Other Funds*

The Sewage Disposal System transfers to other funds are as follows:

| | **2017** | 2016 |
|---|---|---|
| Utility dividend transfer to General Revenue | **$ 20,652** | $ 18,763 |
| Transfer to Sewer System Rehabilitation Reserve | **19,000** | 16,000 |
| Transfer to Environmental Projects Reserve | **18,367** | 16,739 |
| Transfer to General Revenue Fund - Land drainage | **10,672** | 9,884 |
| | **$ 68,691** | $ 61,386 |

### *13. Related Party Transactions*

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

### *14. Comparative Figures*

Certain comparative figures have been reclassified to conform with the current year's presentation.

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 1**

## REVENUES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Sewer services** | **$ 172,101** | **$ 170,217** | $ 150,038 |
| **Government transfers, permits and other** | | | |
| Industrial waste surcharges | **4,400** | **3,920** | 3,561 |
| Hauled waste | **2,750** | **2,776** | 3,181 |
| Other | **758** | **741** | 871 |
| Permits and fees | **280** | **652** | 2,498 |
| Provincial transfers | **386** | **336** | 333 |
| | **8,574** | **8,425** | 10,444 |
| **Interest** | | | |
| Interest | **475** | **577** | 326 |
| Capitalized | **100** | **114** | 187 |
| Sinking Fund earnings | **-** | **11** | - |
| | **575** | **702** | 513 |
| **Total revenues** | **$ 181,250** | **$ 179,344** | $ 160,995 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| **Collection, interception and treatment** | | | |
| North end sewage treatment plant | **$ 15,282** | **$ 15,425** | $ 14,443 |
| Local sewer | **6,653** | **6,305** | 6,361 |
| Sludge disposal | **6,372** | **5,777** | 6,013 |
| South end sewage treatment plant | **4,543** | **4,403** | 4,387 |
| Interception system | **3,505** | **3,714** | 3,522 |
| Mechanical maintenance | **3,001** | **2,915** | 2,829 |
| Administration | **2,756** | **2,545** | 2,219 |
| Electrical maintenance/instrumentation | **2,487** | **2,387** | 2,437 |
| West end sewage treatment plant | **2,610** | **2,345** | 2,261 |
| Civil maintenance | **1,428** | **1,020** | 1,072 |
| Process control | **790** | **600** | 486 |
| | **49,427** | **47,436** | 46,030 |
| **Taxes, employee benefits and other** | | | |
| Property taxes | **11,561** | **11,562** | 10,765 |
| Miscellaneous | **2,894** | **1,883** | 2,089 |
| Rent | **1,160** | **1,160** | 1,199 |
| General government charges | **922** | **922** | 917 |
| Employee benefits | **490** | **541** | 521 |
| Insurance and claims | **530** | **530** | 266 |
| Provincial payroll tax | **397** | **363** | 345 |
| Recoveries | **(1,000)** | **(592)** | (1,348) |
| | **16,954** | **16,369** | 14,754 |
| **Engineering services** | | | |
| Wastewater planning | **2,178** | **2,038** | 2,051 |
| Sewer connections | **1,300** | **1,371** | 1,725 |
| Design and construction | **656** | **617** | 659 |
| Drafting and graphic | **623** | **527** | 531 |
| Asset management | **522** | **455** | 420 |
| Administrative services | **376** | **346** | 350 |
| Customer technical services | **430** | **324** | 419 |
| Engineer designate support | **423** | **323** | 300 |
| Engineering services development | **209** | **173** | 135 |
| Land drainage and flood planning | **50** | **50** | 50 |
| | **6,767** | **6,224** | 6,640 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Finance and administration** | | | |
| Customer accounts | $ 2,687 | $ 2,440 | $ 2,479 |
| Accounting services and administration | 562 | 517 | 547 |
| Plinguet operational support | 253 | 209 | 208 |
| Capital planning | 251 | 208 | 210 |
| Rates / business analysis | 234 | 133 | 130 |
| Knowledge management | 149 | 111 | 123 |
| | 4,136 | 3,618 | 3,697 |
| **Environmental standards** | | | |
| Analysis | 1,650 | 1,604 | 1,669 |
| Industrial waste | 909 | 773 | 774 |
| Administration | 247 | 197 | 258 |
| Compliance | 105 | 116 | 114 |
| | 2,911 | 2,690 | 2,815 |
| **Information systems and technology** | | | |
| Support services | 1,571 | 1,359 | 1,282 |
| Major systems | 1,015 | 714 | 989 |
| Planning and design | 700 | 586 | 439 |
| | 3,286 | 2,659 | 2,710 |
| **Customer services** | | | |
| Customer relations | 1,094 | 1,003 | 1,003 |
| Administration | 118 | 115 | 110 |
| Communications | 45 | 35 | 32 |
| | 1,257 | 1,153 | 1,145 |
| **Human resources** | | | |
| Human resources | 438 | 422 | 421 |
| Timekeeping and payroll | 178 | 177 | 176 |
| Workplace health and safety | 174 | 157 | 153 |
| Human resources training | 179 | 130 | 148 |
| | 969 | 886 | 898 |
| **Debt and finance** | | | |
| Long-term debt interest | 737 | 793 | 141 |
| Finance charges | 558 | 9 | 196 |
| | 1,295 | 802 | 337 |
| **Total expenses from operations** | $ 87,002 | $ 81,837 | $ 79,026 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Transfers to other funds (Note 12)** | | | |
| Utility dividend transfer to General Revenue | **$ 20,652** | **$ 20,652** | $ 18,763 |
| Transfer to Sewer System Rehabilitation Reserve | **19,000** | **19,000** | 16,000 |
| Transfer to Environmental Projects Reserve | **18,870** | **18,367** | 16,739 |
| Transfer to General Revenue Fund - land drainage | **11,439** | **10,672** | 9,884 |
| | **69,961** | **68,691** | 61,386 |
| **Total expenses** | **$ 156,963** | **$ 150,528** | $ 140,412 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 3**

## EXPENSES BY OBJECT

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| Transfers to other funds | **$ 69,961** | **$ 68,691** | $ 61,386 |
| Goods and services | **53,435** | **49,416** | 49,540 |
| Salaries | **18,435** | **17,445** | 16,682 |
| Other expenses | **13,395** | **13,256** | 12,461 |
| Employee benefits | **3,582** | **3,395** | 3,412 |
| Interest on long-term debt | **737** | **793** | 141 |
| Finance charges | **558** | **9** | 196 |
| Recoveries | **(3,140)** | **(2,477)** | (3,406) |
| **Total expenses** | **$ 156,963** | **$ 150,528** | $ 140,412 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 4**

## NET SURPLUS FROM CAPITAL

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Actual** | 2016 Actual |
|---|---|---|
| **Revenues** | | |
| Transfer from Sewer System Rehabilitation Reserve | **$ 22,265** | $ 24,491 |
| Transfer from Environmental Projects Reserve | **17,860** | 6,836 |
| Provincial and Federal capital transfers | **17,323** | 23,317 |
| Transfer from General Capital | **1,127** | 446 |
| | **58,575** | 55,090 |
| Developer contributions-in-kind | **13,283** | 5,946 |
| **Total revenues from capital** | **71,858** | 61,036 |
| **Expenses** | | |
| Amortization | **23,076** | 22,076 |
| Capital maintenance | **1,625** | 1,409 |
| Loss on disposal of tangible capital assets | **149** | 289 |
| Transfer to Waterworks System | **100** | 315 |
| **Total expenses from capital** | **24,950** | 24,089 |
| **Net surplus from capital** | **$ 46,908** | $ 36,947 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | General | | | | |
|---|---|---|---|---|---|
| | Land | Land Improvements | Buildings | Equipment | Information Technology |
| **Cost** | | | | | |
| Balance, beginning of year | $ 1,428 | $ 773 | $ 989 | $ 526 | $ 494 |
| Add: Additions during the year | - | 33 | - | - | 199 |
| Less: Disposals during the year | - | - | - | - | - |
| Balance, end of year | 1,428 | 806 | 989 | 526 | 693 |
| **Accumulated amortization** | | | | | |
| Balance, beginning of year | - | 60 | 637 | 346 | 202 |
| Add: Amortization | - | 79 | 11 | 40 | 59 |
| Less: Accumulated amortization on disposals | - | - | - | - | - |
| Balance, end of year | - | 139 | 648 | 386 | 261 |
| **Net Book Value of Tangible Capital Assets** | $ 1,428 | $ 667 | $ 341 | $ 140 | $ 432 |

**Schedule 5**

| Infrastructure | | | Totals | |
|---|---|---|---|---|
| Underground Networks | Sewage Treatment Plants and Lift Stations | Assets Under Construction | **2017** | 2016 |
| $ 1,026,583 | $ 428,941 | $ 122,786 | **$ 1,582,520** | $ 1,498,680 |
| 60,896 | 7,930 | 19,580 | **88,638** | 88,143 |
| (1,098) | - | - | **(1,098)** | (4,303) |
| 1,086,381 | 436,871 | 142,366 | **1,670,060** | 1,582,520 |
| 367,740 | 187,110 | - | **556,095** | 538,033 |
| 14,754 | 8,133 | - | **23,076** | 22,076 |
| (949) | - | - | **(949)** | (4,014) |
| 381,545 | 195,243 | - | **578,222** | 556,095 |
| $ 704,836 | $ 241,628 | $ 142,366 | **$ 1,091,838** | $ 1,026,425 |

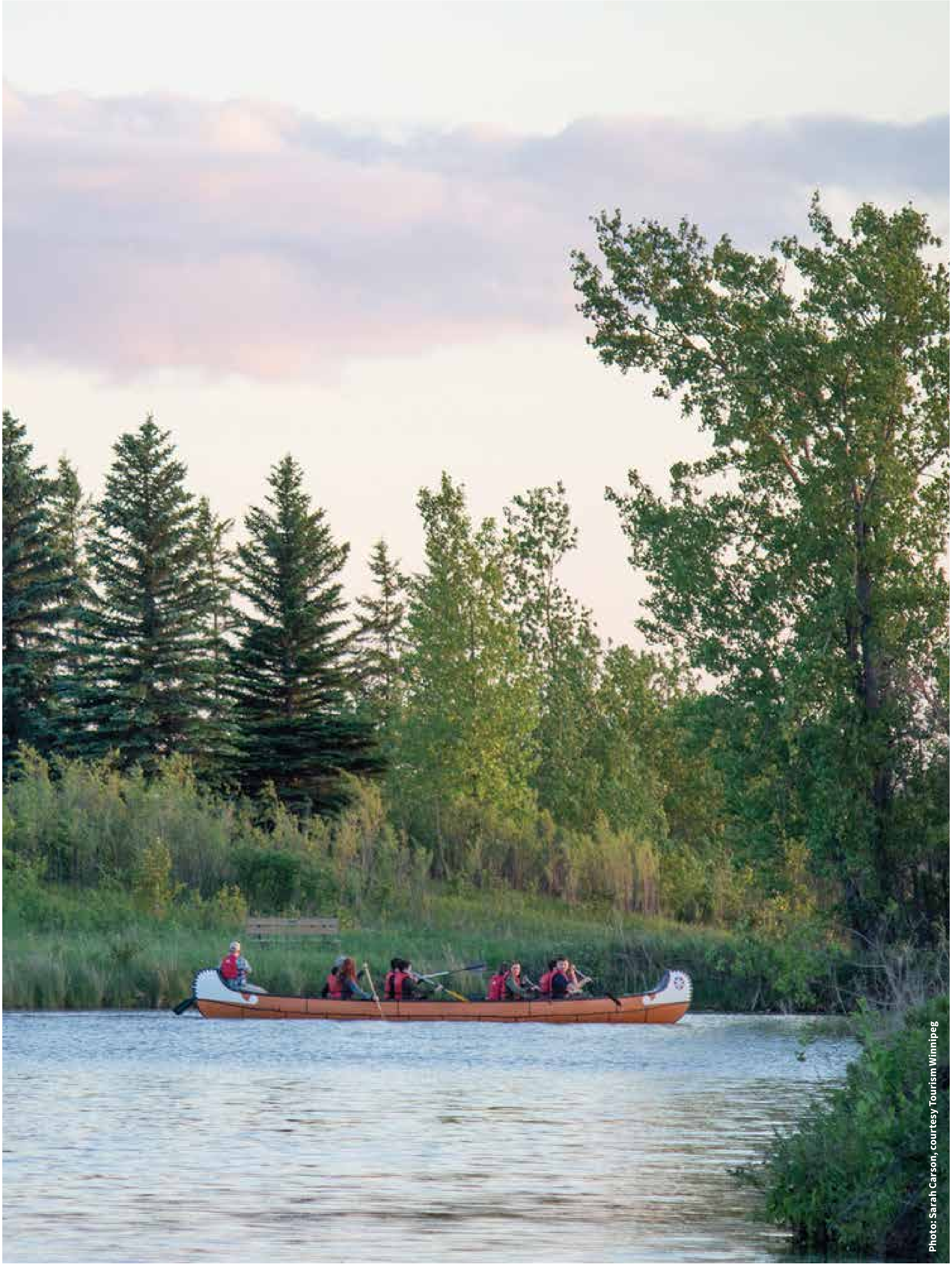

Photo: Sarah Carson, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

The Water and Waste Department ("Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Department is responsible for the planning and monitoring of the City's closed landfill facilities, the operation of the Brady Road Resource Management Facility and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the Waste Diversion and to the Brady Landfill Rehabilitation Reserves.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated class 1 landfills in the capital region. The commercial tipping fee is $72.00 per tonne. Commercial tonnage coming to Brady Road landfill has increased approximately .05% from 2016. In 2017 waste was also received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipalities of Springfield and West St. Paul.

Waste minimization programs include multi-material residential recycling for single-family and multi-family residences, depot recycling, "Let's Chip-In" (seasonal-use tree recycling), curbside yard waste collection, back yard composting and public information/education programs.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba and the sale of recyclables. In 2017, the City realized $14.8 million in revenue (2016 - $12.5 million) from recycling.

In 2009, the Province of Manitoba introduced the Provincial Waste Reduction and Recycling Support initiative. Under this program, a levy is collected based on the volume of waste disposed at landfills within Manitoba. The levy is set at $10 per tonne on residential, commercial and small loads. The total levy collected throughout the province is granted to municipalities based on their share of total recycling throughout the province.

Waste diversion initiatives are also funded through the waste diversion user fee. In 2017 this fee is $0.1555 per day (2016 - $0.1535). These monies are used in part to operate the 4R Winnipeg Depot program. The first depot location opened in 2016 at the Brady Road Resource Management Facility. The second depot location opened in 2017 at 1120 Pacific Ave.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Solid Waste (tonnes)** | | | | | |
| Single family residential | **120,300** | 121,826 | 124,838 | 121,601 | 120,287 |
| Multi-family and small commercial | **51,909** | 52,454 | 53,007 | 54,409 | 53,610 |
| Large commercial / industrial | **91,591** | 91,544 | 95,637 | 96,832 | 101,584 |
| Other (1) | **88,891** | 95,018 | 120,208 | 117,419 | 117,990 |
| Charitable organization | **2,635** | 2,822 | 2,138 | 2,735 | 2,663 |
| Total landfill tonnage | **355,326** | 363,664 | 395,828 | 392,996 | 396,134 |
| Residential small loads | | | | | |
| Brady 4R Depot | | | | | |
| Number of loads | **69,658** | 80,439 | 93,220 | 91,968 | 93,506 |
| Residential small loads | | | | | |
| Other 4R Depots (2) | | | | | |
| Number of loads | **18,836** | - | - | - | - |
| Compostable yard waste | | | | | |
| Total tonnage | **28,528** | 34,123 | 32,947 | 29,754 | 23,223 |
| Recyclables (tonnes) | | | | | |
| Blue cart | **47,701** | 48,610 | 49,504 | 48,960 | 48,410 |
| Depots/apartments | **6,476** | 6,400 | 6,193 | 5,504 | 5,247 |
| Total recyclables | **54,177** | 55,010 | 55,697 | 54,464 | 53,657 |
| Leachate removed | | | | | |
| Total kilolitres | **53,930** | 65,360 | 72,475 | 60,812 | 53,596 |

(1) Includes tonnage for small loads on an estimated weight of 500kg per load entering the landfill for the years 2013-2015. In 2016, with the opening of the 4R Winnipeg Depot, all small loads were weighed.
(2) The 4R Depot at 1120 Pacific Avenue opened in February 2017. There is no garbage collection at this site.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 309** | $ 280 |
| Due from General Revenue Fund (Note 3) | **11,809** | 14,974 |
| Accounts receivable (Note 4) | **10,591** | 10,799 |
| | **22,709** | 26,053 |
| Tangible capital assets (Note 5) | **41,541** | 35,682 |
| | **$ 64,250** | $ 61,735 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 6) | **$ 3,996** | $ 3,984 |
| Current portion of long-term debt (Note 7) | **2,246** | 2,189 |
| | **6,242** | 6,173 |
| Long-term debt (Note 7) | **25,674** | 27,924 |
| | **31,916** | 34,097 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **32,334** | 27,638 |
| | **$ 64,250** | $ 61,735 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

The Water and Waste Department ("Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Department is responsible for the planning and monitoring of the City's closed landfill facilities, the operation of the Brady Road Resource Management Facility and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the Waste Diversion and to the Brady Landfill Rehabilitation Reserves.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated class 1 landfills in the capital region. The commercial tipping fee is $72.00 per tonne. Commercial tonnage coming to Brady Road landfill has increased approximately .05% from 2016. In 2017 waste was also received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipalities of Springfield and West St. Paul.

Waste minimization programs include multi-material residential recycling for single-family and multi-family residences, depot recycling, "Let's Chip-In" (seasonal-use tree recycling), curbside yard waste collection, back yard composting and public information/education programs.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba and the sale of recyclables. In 2017, the City realized $14.8 million in revenue (2016 - $12.5 million) from recycling.

In 2009, the Province of Manitoba introduced the Provincial Waste Reduction and Recycling Support initiative. Under this program, a levy is collected based on the volume of waste disposed at landfills within Manitoba. The levy is set at $10 per tonne on residential, commercial and small loads. The total levy collected throughout the province is granted to municipalities based on their share of total recycling throughout the province.

Waste diversion initiatives are also funded through the waste diversion user fee. In 2017 this fee is $0.1555 per day (2016 - $0.1535). These monies are used in part to operate the 4R Winnipeg Depot program. The first depot location opened in 2016 at the Brady Road Resource Management Facility. The second depot location opened in 2017 at 1120 Pacific Ave.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Solid Waste (tonnes)** | | | | | |
| Single family residential | **120,300** | 121,826 | 124,838 | 121,601 | 120,287 |
| Multi-family and small commercial | **51,909** | 52,454 | 53,007 | 54,409 | 53,610 |
| Large commercial / industrial | **91,591** | 91,544 | 95,637 | 96,832 | 101,584 |
| Other (1) | **88,891** | 95,018 | 120,208 | 117,419 | 117,990 |
| Charitable organization | **2,635** | 2,822 | 2,138 | 2,735 | 2,663 |
| Total landfill tonnage | **355,326** | 363,664 | 395,828 | 392,996 | 396,134 |
| Residential small loads Brady 4R Depot Number of loads | **69,658** | 80,439 | 93,220 | 91,968 | 93,506 |
| Residential small loads Other 4R Depots (2) Number of loads | **18,836** | - | - | - | - |
| Compostable yard waste Total tonnage | **28,528** | 34,123 | 32,947 | 29,754 | 23,223 |
| Recyclables (tonnes) | | | | | |
| Blue cart | **47,701** | 48,610 | 49,504 | 48,960 | 48,410 |
| Depots/apartments | **6,476** | 6,400 | 6,193 | 5,504 | 5,247 |
| Total recyclables | **54,177** | 55,010 | 55,697 | 54,464 | 53,657 |
| Leachate removed Total kilolitres | **53,930** | 65,360 | 72,475 | 60,812 | 53,596 |

(1) Includes tonnage for small loads on an estimated weight of 500kg per load entering the landfill for the years 2013-2015. In 2016, with the opening of the 4R Winnipeg Depot, all small loads were weighed.
(2) The 4R Depot at 1120 Pacific Avenue opened in February 2017. There is no garbage collection at this site.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 309** | $ 280 |
| Due from General Revenue Fund (Note 3) | **11,809** | 14,974 |
| Accounts receivable (Note 4) | **10,591** | 10,799 |
| | **22,709** | 26,053 |
| Tangible capital assets (Note 5) | **41,541** | 35,682 |
| | **$ 64,250** | $ 61,735 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 6) | **$ 3,996** | $ 3,984 |
| Current portion of long-term debt (Note 7) | **2,246** | 2,189 |
| | **6,242** | 6,173 |
| Long-term debt (Note 7) | **25,674** | 27,924 |
| | **31,916** | 34,097 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **32,334** | 27,638 |
| | **$ 64,250** | $ 61,735 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sales of services and regulatory fees | **$ 39,183** | **$ 41,896** | $ 39,699 |
| Government transfers and other | **5,195** | **4,850** | 5,119 |
| Interest | **105** | **353** | 250 |
| Total revenues | **44,483** | **47,099** | 45,068 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Solid waste operations | **40,720** | **37,055** | 32,596 |
| Debt and finance | **3,076** | **890** | 782 |
| Employee benefits, taxes and other (Note 9) | **575** | **497** | 447 |
| Total expenses from operations | **44,371** | **38,442** | 33,825 |
| Surplus for the year from operations | **112** | **8,657** | 11,243 |
| Transfers to other funds (Note 10) | **377** | **1,348** | 4,857 |
| Surplus (deficit) from operations after transfers to other funds | **(265)** | **7,309** | 6,386 |
| Net deficit from capital (Schedule 4) | **-** | **(2,613)** | (2,336) |
| Net surplus (deficit) for the year | **$ (265)** | **4,696** | 4,050 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **27,638** | 23,588 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 32,334** | $ 27,638 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sales of services and regulatory fees | **$ 39,183** | **$ 41,896** | $ 39,699 |
| Government transfers and other | **5,195** | **4,850** | 5,119 |
| Interest | **105** | **353** | 250 |
| Total revenues | **44,483** | **47,099** | 45,068 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Solid waste operations | **40,720** | **37,055** | 32,596 |
| Debt and finance | **3,076** | **890** | 782 |
| Employee benefits, taxes and other (Note 9) | **575** | **497** | 447 |
| Total expenses from operations | **44,371** | **38,442** | 33,825 |
| Surplus for the year from operations | **112** | **8,657** | 11,243 |
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| Net deficit from capital (Schedule 4) | **-** | **(2,613)** | (2,336) |
| Net surplus (deficit) for the year | **$ (265)** | **4,696** | 4,050 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **27,638** | 23,588 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 32,334** | $ 27,638 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 4,696** | $ 4,050 |
| Non-cash items related to operations | | |
| Amortization | **2,556** | 2,265 |
| Working capital from operations | **7,252** | 6,315 |
| Change in net working capital other than cash | **220** | (1,145) |
| | **7,472** | 5,170 |
| ***FINANCING*** | | |
| Proceeds from loan | **-** | 8,637 |
| Repayment of loan | **(2,026)** | (1,969) |
| Due from General Revenue Fund | **3,165** | (5,658) |
| Interest on funds on deposit with The Sinking Fund of The City of Winnipeg ("The Sinking Fund") | **(4)** | - |
| Payments to The Sinking Fund for outstanding debt | **(163)** | - |
| | **972** | 1,010 |
| ***INVESTING*** | | |
| Purchase of tangible capital assets | **(8,415)** | (6,158) |
| Increase in cash | **29** | 22 |
| Cash position, beginning of year | **280** | 258 |
| Cash position, end of year | **$ 309** | $ 280 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### *1. Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

**Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

**a) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Land improvements | 10 to 100 years |
| Building and improvements | 10 to 50 years |
| Machinery and equipment | 10 to 20 years |
| Information technology | 5 to 10 years |

Assets under construction are not amortized until the asset is available for productive use.

**b) Brady Landfill Rehabilitation Reserve**

City Council on December 15th, 1993, in accordance with Sections 338 (1) and (2) of the former City of Winnipeg Act, established the Reserve to provide funding, over time, for the future rehabilitation of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The transfer is based on $1.00 per tonne of the tipping fee charged at the Brady Landfill Site.

The Director of the Water and Waste department is the Fund Manager.

**c) Waste Diversion Reserve**

On October 19th, 2011, City Council approved the establishment of the Waste Diversion Reserve for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion user fee.

## *1. Significant Accounting Policies (continued)*

The Director of the Water and Waste department is the Fund Manager.

**d) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

## *2. Status of the Solid Waste Disposal Fund*

On March 23, 1992, City Council adopted a motion establishing the Solid Waste Disposal Fund ("Utility") as a separate fund within The City of Winnipeg's ("City") financial records. Upon establishment of this Utility, the capital assets, work in progress and related debt were transferred to this Utility from the General Capital Fund. The Utility is self-supporting and is primarily funded by landfill tipping fees, third party grants and the waste diversion user fee. The purpose of the Fund is to improve the cost accountability of the solid waste management system and to establish a financial structure to accommodate long-term planning and financing of solid waste management programs.

## *3. Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.95% (2016 - 0.45%).

## *4. Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Landfill tipping, recycling and waste diversion | **$ 10,831** | $ 11,029 |
| Allowance for doubtful accounts | **(240)** | (230) |
| | **$ 10,591** | $ 10,799 |

## *5. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2017** | 2016 |
| Land | **$ 541** | $ 541 |
| Land improvements | **19,928** | 17,008 |
| Building and improvements | **13,549** | 9,831 |
| Machinery and equipment | **6,505** | 7,586 |
| Information technology | **488** | 231 |
| | **41,011** | 35,197 |
| Assets under construction | **530** | 485 |
| | **$ 41,541** | $ 35,682 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During the year, there were no write-downs of tangible capital assets (2016 - $nil). Interim financing charges capitalized during 2017 were $151 thousand (2016 - $108 thousand).

## *6. Accounts Payable and Accrued Liabilities*

| | **2017** | 2016 |
|---|---|---|
| Waste Reduction and Recycling Support Levy | **$ 1,798** | $ 1,846 |
| Trade accounts payable | **1,616** | 1,663 |
| Other accrued liabilities | **559** | 452 |
| Accrued debenture interest payable | **23** | 23 |
| | **$ 3,996** | $ 3,984 |

## 7. *Long-Term Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2017** | 2016 |
|---|---|---|---|---|---|---|
| 2016-2045 | June 1 | 3.303 | WD4 | 5/2015 | **$ 8,637** | $ 8,637 |
| Equity in sinking fund (Note 7b) | | | | | **(167)** | - |
| **Net Sinking Fund Debentures outstanding** | | | | | **8,470** | 8,637 |
| **Other debt outstanding** | | | | | | |
| TD Commercial Bank loan with a maturity date of April 24, 2035 and an interest rate of 3.09% | | | | | **13,484** | 14,064 |
| TD Commercial Bank loan with a maturity date of November 13, 2021 and an interest rate of 2.63% | | | | | **5,966** | 7,412 |
| | | | | | **19,450** | 21,476 |
| **Total Debt Outstanding** | | | | | **27,920** | 30,113 |
| Current portion of debentures | | | | | **(163)** | (163) |
| Current portion of loan | | | | | **(2,083)** | (2,026) |
| **Current Portion of Debt** | | | | | **(2,246)** | (2,189) |
| **Long-term Debt** | | | | | **$ 25,674** | $ 27,924 |

Principal retirement on long-term debt over the next five years is as follows:

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2022 and Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ - | $ 8,637 |
| Other debt | 2,083 | 2,141 | 2,200 | 2,049 | 677 | 10,300 |
| | $ 2,083 | $ 2,141 | $ 2,200 | $ 2,049 | $ 677 | $ 18,937 |

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg Solid Waste Disposal is currently paying between two and three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Cash paid for interest during the year was $0.9 million (2016 - $0.7 million).

## 8. *Accumulated Surplus*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Retained earnings | **$** | **18,713** | $ | 22,070 |
| Invested in tangible capital assets | | **13,621** | | 5,568 |
| | **$** | **32,334** | $ | 27,638 |

## 9. *Employee Benefits, Taxes and Other*

**Property taxes**

Property taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2017, the amount incurred was $43 thousand (2016 - $38 thousand).

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2017 is $301 thousand (2016 - $277 thousand).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2017 is estimated at $720 thousand (2016 - $553 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $187 thousand (2016 - $138 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2017 at $213 thousand (2016 - $235 thousand).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates is pension costs to various departments. During 2017, $365 thousand (2016 - $338 thousand) of pension costs were allocated to Solid Waste. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and has an actuarial surplus.

**General Government charges**

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2017 this amounted to $138 thousand (2016 - $137 thousand) and was transferred to the General Revenue Fund.

**Rent**

Included in various expense categories is an amount of $253 thousand (2016 - $242 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

## *10. Transfers to Other Funds*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Transfer to Waste Diversion Reserve | **$** | **1,000** | $ | 4,500 |
| Transfer to Brady Landfill Rehabilitation Reserve | | **348** | | 357 |
| | **$** | **1,348** | $ | 4,857 |

## *11. Related Party Transactions*

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Solid Waste Disposal's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

**Schedule 1**

## REVENUES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Sales of services and regulatory fees** | | | |
| Landfill tipping fees | **$ 14,849** | **$ 14,725** | $ 14,525 |
| Recycling | **11,779** | **14,762** | 12,506 |
| Waste diversion user fee | **11,367** | **11,318** | 11,426 |
| Small load fees | **1,188** | **1,091** | 1,242 |
| | **39,183** | **41,896** | 39,699 |
| **Government transfers and other** | | | |
| Waste reduction support | **5,138** | **4,747** | 5,039 |
| Provincial support | **57** | **103** | 80 |
| | **5,195** | **4,850** | 5,119 |
| **Interest** | | | |
| Interest capitalized | **60** | **151** | 108 |
| Late payment charges and returned payments | **45** | **105** | 93 |
| Interest | **-** | **93** | 49 |
| Sinking fund earnings | **-** | **4** | - |
| | **105** | **353** | 250 |
| **Total revenues** | **$ 44,483** | **$ 47,099** | $ 45,068 |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

**Schedule 2**

## EXPENSES

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| **Solid waste operations** | | | |
| Recycling | $ 18,846 | $ 17,945 | $ 14,862 |
| Brady Road Resource Management Facility | 8,699 | 7,918 | 7,423 |
| Waste minimization | 9,801 | 8,258 | 7,415 |
| Landfill and environmental | 1,932 | 1,693 | 1,819 |
| Support services | 770 | 932 | 715 |
| Administration | 672 | 309 | 362 |
| | 40,720 | 37,055 | 32,596 |
| **Debt and finance** | | | |
| Interest on long-term debt | 897 | 890 | 782 |
| Amortization | 2,179 | - | - |
| | 3,076 | 890 | 782 |
| **Employee benefits, taxes and other** | | | |
| Employee benefits | 264 | 184 | 153 |
| General government charges | 138 | 138 | 137 |
| Provincial payroll tax | 114 | 114 | 105 |
| Property taxes | 42 | 43 | 38 |
| Insurance and damage claims | 17 | 17 | 16 |
| Other | - | 2 | - |
| Recoveries | - | (1) | (2) |
| | 575 | 497 | 447 |
| **Total Expenses from Operations** | 44,371 | 38,442 | 33,825 |
| **Transfers to other funds (Note 10)** | | | |
| Transfer to Waste Diversion Reserve | - | 1,000 | 4,500 |
| Transfer to Brady Landfill Rehabilitation Reserve | 377 | 348 | 357 |
| | 377 | 1,348 | 4,857 |
| **Total expenses** | $ 44,748 | $ 39,790 | $ 38,682 |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

**Schedule 3**

## EXPENSES BY OBJECT

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Budget** | **2017 Actual** | 2016 Actual |
|---|---|---|---|
| Goods and services | **$ 35,391** | **$ 31,956** | $ 28,180 |
| Transfers | **377** | **1,348** | 4,857 |
| Salaries | **5,220** | **4,433** | 4,006 |
| Interest on long-term debt | **3,076** | **889** | 781 |
| Employee benefits | **1,092** | **1,012** | 746 |
| Other expenses | **627** | **634** | 600 |
| Finance charges | **95** | **138** | 89 |
| Recoveries | **(1,130)** | **(620)** | (577) |
| **Total expenses** | **$ 44,748** | **$ 39,790** | $ 38,682 |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

**Schedule 4**

## DEFICIT FROM CAPITAL

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017 Actual** | 2016 Actual |
|---|---|---|
| **Revenues** | | |
| Transfer from Waste Diversion Reserve Fund | **$ 426** | $ 258 |
| Provincial Support | **30** | 120 |
| **Total revenues from capital** | **456** | 378 |
| **Expenses** | | |
| Amortization | **2,556** | 2,265 |
| Capital maintenance | **513** | 411 |
| Capital studies and other equipment | **-** | 38 |
| **Total expenses from capital** | **3,069** | 2,714 |
| **Net deficit from capital** | **$ (2,613)** | $ (2,336) |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | General | | | |
|---|---|---|---|---|
| | **Land** | **Land Improvements** | **Buildings** | **Machinery and Equipment** |
| **Cost** | | | | |
| Balance, beginning of year | $ 541 | $ 22,522 | $ 10,470 | $ 13,859 |
| Add: Additions (completions) during the year | - | 3,853 | 4,213 | - |
| Balance, end of year | 541 | 26,375 | 14,683 | 13,859 |
| **Accumulated amortization** | | | | |
| Balance, beginning of year | - | 5,514 | 639 | 6,273 |
| Add: Amortization | - | 933 | 495 | 1,081 |
| Balance, end of year | - | 6,447 | 1,134 | 7,354 |
| **Net Book Value of Tangible Capital Assets** | $ 541 | $ 19,928 | $ 13,549 | $ 6,505 |

**Schedule 5**

| | | Totals | |
|---|---|---|---|
| Information Technology | Assets Under Construction | **2017** | 2016 |
| $ 321 | $ 485 | **$ 48,198** | $ 42,040 |
| 304 | 45 | **8,415** | 6,158 |
| 625 | 530 | **56,613** | 48,198 |
| 90 | - | **12,516** | 10,251 |
| 47 | - | **2,556** | 2,265 |
| 137 | - | **15,072** | 12,516 |
| $ 488 | $ 530 | **$ 41,541** | $ 35,682 |


Photo: Tyler Simpson, courtesy Tourism Winnipeg

# 2017 Special Operating Agencies
## Detailed Financial Statements

Photo: City of Winnipeg

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 28,069** | $ 29,461 |
| Accounts receivable (Note 3) | **319** | 90,641 |
| Due from the City of Winnipeg - General Revenue Fund (Note 4) | **2,325,519** | 1,852,150 |
| | **2,353,907** | 1,972,252 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities | **391,814** | 511,174 |
| Deferred revenue | **1,254,782** | 1,205,231 |
| Vacation and overtime payable | **85,753** | 79,551 |
| Retirement allowances and compensated absences (Note 5a) | **127,000** | 115,000 |
| | **1,859,349** | 1,910,956 |
| ***NET FINANCIAL ASSETS (LIABILITIES)*** | **494,558** | 61,296 |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 6) | **44,702** | 45,019 |
| Inventories | **-** | 9,684 |
| Prepaid expenses | **-** | 64,435 |
| | **44,702** | 119,138 |
| ***ACCUMULATED SURPLUS*** | **$ 539,260** | $ 180,434 |

Commitments (Note 8)

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(unaudited)*

| | **Budget 2017** | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Regulation fees | **$ 2,317,351** | **$ 2,482,791** | $ 2,273,434 |
| Transfer (Note 9) | **1,319,574** | **1,319,574** | 1,378,836 |
| Sales of goods and services | **98,026** | **63,172** | 70,250 |
| Other revenue | **35,000** | **64,913** | 71,502 |
| Government transfers | **28,989** | **27,557** | 28,449 |
| Total Revenues | **3,798,940** | **3,958,007** | 3,822,471 |
| ***EXPENSES*** | | | |
| Salaries and employee benefits | **1,823,520** | **1,591,382** | 1,564,659 |
| Grants, transfers and other | **869,277** | **893,008** | 892,632 |
| Services (Note 10) | **425,340** | **356,464** | 419,439 |
| Administrative expenses (Note 10) | **255,229** | **255,289** | 251,548 |
| Rent (Note 10) | **212,405** | **212,405** | 212,405 |
| Materials, parts and supplies | **138,383** | **204,319** | 125,575 |
| Debt and finance charges | **39,917** | **39,353** | 44,506 |
| Amortization | **16,814** | **27,713** | 27,054 |
| Assets and purchases | **48,432** | **19,248** | 4,331 |
| Interest (Note 4) | **183** | **-** | - |
| Total Expenses | **3,829,500** | **3,599,181** | 3,542,149 |
| Excess of Revenues Over Expenses | **(30,560)** | **358,826** | 280,322 |
| ***ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR*** | **180,434** | **180,434** | (99,888) |
| ***ACCUMULATED SURPLUS, END OF YEAR*** (Note 7) | **$ 149,874** | **$ 539,260** | $ 180,434 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(unaudited)*

***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:***

| | **2017** | 2016 |
|---|---|---|
| ***OPERATING*** | | |
| Excess of revenues over expenses | **$ 358,826** | $ 280,322 |
| Non-cash charges to operations | | |
| Amortization | **27,713** | 27,054 |
| Retirement allowances and compensated absences | **12,000** | (6,000) |
| | **398,539** | 301,376 |
| Net change in non-cash working capital balances related to operations | **100,834** | 670,301 |
| Cash (used in) provided by operating activities | **499,373** | 971,677 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(27,396)** | - |
| ***FINANCING*** | | |
| Change in due from/to The City of Winnipeg - General Revenue Fund | **(473,369)** | (960,271) |
| Increase (decrease) in cash | **(1,392)** | 11,406 |
| ***CASH, BEGINNING OF YEAR*** | **29,461** | 18,055 |
| ***CASH, END OF YEAR*** | **$ 28,069** | $ 29,461 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITIES)

*For the years ended December 31*
*(unaudited)*

| | **Budget 2017** | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| ***Excess of Revenues Over Expenses*** | **$ (30,560)** | **$ 358,826** | $ 280,322 |
| Amortization of tangible capital assets | **16,814** | **27,713** | 27,054 |
| Change in inventories and prepaid expenses | **-** | **74,119** | 21,554 |
| Acquisition of tangible capital assets | **-** | **(27,396)** | - |
| ***INCREASE (DECREASE) IN NET FINANCIAL ASSETS (LIABILITIES)*** | **(13,746)** | **433,262** | 328,930 |
| ***NET FINANCIAL ASSETS (LIABILITIES), BEGINNING OF YEAR*** | **61,296** | **61,296** | (267,634) |
| ***NET FINANCIAL ASSETS (LIABILITIES), END OF YEAR*** | **$ 47,550** | **$ 494,558** | $ 61,296 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(unaudited)*

### *1. Description of Business*

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. Goals since the establishment of the Agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

### *2. Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

**Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue in the period of which it is earned provided it is measurable and collection is reasonably certain. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

**Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

**i) Tangible capital assets**

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

| | |
|---|---|
| Computer equipment | 25% |
| Furniture and other equipment | 20% |
| Communication radios | 20% |
| Computer Software | 20% |

**ii) Inventories**

Inventories held for consumption are recorded at the lower of cost and net realizable value.

## 2. *Significant Accounting Policies (continued)*

**Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

**Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ from actual results.

**Accounting policy changes**

The Public Sector Accounting Board issued updated standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As permitted in the standards, the Agency adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements. As a result of this adoption, no material impacts on the consolidated financial statements occurred.

## 3. *Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Trade accounts receivable | **$ 319** | $ 71,640 |
| Allowance for doubtful accounts | **-** | (8,972) |
| | **319** | 62,668 |
| Province of Manitoba | **-** | 27,973 |
| | **$ 319** | $ 90,641 |

## 4. *Due from The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2017 interest rate was 0.85% (2016 - 0.35%). The 2016 budget approved by City Council includes an operating line of credit of $1,100,000.

During the year, the Agency paid $nil (2016 - $nil) in interest costs.

## 5. *Employee Benefits*

**a) Retirement allowances and compensated absences**

| | **2017** | 2016 |
|---|---|---|
| Retirement allowances - accrued benefit liability | **$ 80,000** | $ 71,000 |
| Compensated absences | **47,000** | 44,000 |
| | **$ 127,000** | $ 115,000 |

## 5. *Employee Benefits (continued)*

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experienced gains and losses are amortized on a straight-line basis over 18.6 years. This represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences is as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Retirement allowances** | **Compensated absences** | Retirement allowance | Compensated absences |
| Accrued benefit liability: | | | | |
| Balance, beginning of year | **$** 83,000 | 73,000 | $ 83,000 | 72,000 |
| Current service cost | 6,000 | 9,000 | 7,000 | 10,000 |
| Interest cost | 3,000 | 2,000 | 2,000 | 2,000 |
| Benefit payments | - | (8,000) | (20,000) | (8,000) |
| Net actuarial (gain)/loss | (45,000) | (16,000) | 11,000 | (3,000) |
| Balance, end of year | 47,000 | 60,000 | 83,000 | 73,000 |
| Unamortized net actuarial (gain)/loss | 33,000 | (13,000) | (12,000) | (29,000) |
| Accrued benefit liability | **$ 80,000** | **$ 47,000** | $ 71,000 | $ 44,000 |
| Benefit expenses: | | | | |
| Current service cost | **$** 6,000 | 9,000 | $ 7,000 | 10,000 |
| Interest cost | 3,000 | 2,000 | 2,000 | 2,000 |
| Amortization of net actuarial (gain)/loss | - | - | (1,000) | 2,000 |
| | **$ 9,000** | **$ 11,000** | $ 8,000 | $ 14,000 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$** 71,000 | $ 44,000 | $ 83,000 | $ 38,000 |
| Benefit expense | 9,000 | 11,000 | 8,000 | 14,000 |
| Benefit payments | - | (8,000) | (20,000) | (8,000) |
| Balance, end of year | **$ 80,000** | **$ 47,000** | $ 71,000 | $ 44,000 |

## *5. Employee Benefits (continued)*

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Valuation interest rate | **3.00%** | 3.00% |
| General increases in pay | **2.50%** | 2.50% |
| Expected average remaining service life | **18.6 years** | 17.2 years |

### b) Pensions

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, $122,497 (2016 - $124,608) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and it has an actuarial surplus.

## *6. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2017** | 2016 |
| Computer equipment | **$ 24,657** | $ 737 |
| Furniture and other equipment | **-** | 4,248 |
| Communication radios | **-** | 6,624 |
| Computer Software | **20,045** | 33,410 |
| | **$ 44,702** | $ 45,019 |

For additional information, see Schedule of Tangible Capital Assets.

## *7. Accumulated Surplus*

| | Actual 2017 | Actual 2016 |
|---|---|---|
| Invested in tangible capital assets | **$ 44,702** | $ 45,019 |
| Operating | **494,558** | 135,415 |
| | **$ 539,260** | $ 180,434 |

## *8. Commitments*

The Agency and the Winnipeg Humane Society entered into a contract that was effective January 1, 2017 to December 31, 2018. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agreed to pay the Winnipeg Humane Society the sum of $582,273 per year, payable in quarterly installments of $145,568. In addition, the Agency agreed to pay $25 for every cat spay/neuter that the Winnipeg Humane Society performed up to an annual maximum of $70,000.

### *9. Transfer from The City of Winnipeg*

The transfers from the City of Winnipeg over the past five years are as follows:

| | | |
|---|---|---|
| 2013 | $ | 1,404,276 |
| 2014 | | 1,404,276 |
| 2015 | | 1,404,276 |
| 2016 | | 1,378,836 |
| 2017 | | 1,319,574 |

### *10. Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of $212,405 (2016 - $212,405) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $176,860 (2016 - $173,400). Also included are lease costs of $110,306 (2016 - $108,337) to The City of Winnipeg Fleet Management - Special Operating Agency and $78,429 (2016 - $78,148) for general government charges that have been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

**Schedule 1**

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(unaudited)*

| | Computer Equipment | Furniture and Other Equipment | Communication Radios | Computer Software | 2017 Total | 2016 Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, Beginning of year | $ 149,454 | $ 121,375 | $ 52,911 | $ 66,818 | $ 390,558 | $ 390,558 |
| Add: | | | | | | |
| Additions during the year | 27,396 | - | - | - | 27,396 | - |
| Less: | | | | | | |
| Disposals during the year | - | - | - | - | - | - |
| Balance, end of year | 176,850 | 121,375 | 52,911 | 66,818 | 417,954 | 390,558 |
| **Accumulated amortization** | | | | | | |
| Balance, Beginning of year | 148,717 | 117,127 | 46,287 | 33,408 | 345,539 | 318,485 |
| Add: | | | | | | |
| Amortization | 3,476 | 4,248 | 6,624 | 13,365 | 27,713 | 27,054 |
| Less: | | | | | | |
| Accumulated amortization on disposals | - | - | - | - | - | - |
| Balance, end of year | 152,193 | 121,375 | 52,911 | 46,773 | 373,252 | 345,539 |
| **Net Book Value of Tangible Capital Assets** | $ 24,657 | $ - | $ - | $ 20,045 | $ 44,702 | $ 45,019 |

Photo: Roger Harris, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

On March 20, 1997, City Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, City Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative". Pursuant to the foregoing process, the Community Services Department prepared a feasibility study which recommended the establishment of a SOA with the mandate to manage and be accountable for maximizing the return on City-owned golf course assets.

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services SOA be prepared and further that the municipal golf course operation be realigned under the purview of the Planning, Property and Development Department.

The SOA manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Accounts receivable (Note 3) | **$ 134** | $ 160 |
| ***LIABILITIES*** | | |
| Due to The City of Winnipeg - General Revenue Fund (Note 4) | **6,495** | 6,687 |
| Accounts payable and accrued liabilities | **109** | 99 |
| Deferred revenue | **112** | 95 |
| Debt (Note 5) | **2,830** | 2,866 |
| Accrued employee benefits (Note 6a) | **172** | 164 |
| | **9,718** | 9,911 |
| ***NET FINANCIAL LIABILITIES*** | **(9,584)** | (9,751) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 7) | **22,960** | 22,862 |
| Inventories | **47** | 47 |
| | **23,007** | 22,909 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **$ 13,423** | $ 13,158 |

Commitments and Contingencies (Note 10)

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Green fees | **$ 1,915** | **$ 1,455** | $ 1,509 |
| Transfer from The City of Winnipeg - General Revenue Fund | **462** | **462** | 750 |
| Transfer from The City of Winnipeg - Golf Course Reserve Fund | **451** | **344** | 250 |
| Equipment rentals | **369** | **334** | 340 |
| Net revenue from leasing operations | **209** | **172** | 309 |
| Other | **48** | **59** | 46 |
| Merchandise sales | **60** | **54** | 48 |
| Concessions | **39** | **39** | 45 |
| Transfer from The City of Winnipeg - Contributions in Lieu of Land Dedication Reserve Fund | **50** | **34** | 57 |
| Total Revenues | **3,603** | **2,953** | 3,354 |
| ***EXPENSES*** | | | |
| Salaries and employee benefits (Note 6) | **1,557** | **1,288** | 1,428 |
| Services (Note 9) | **725** | **809** | 688 |
| Supplies | **220** | **261** | 210 |
| Amortization | **232** | **238** | 225 |
| Interest (Notes 4 and 5) | **36** | **49** | 38 |
| Other | **203** | **43** | 305 |
| Total Expenses | **2,973** | **2,688** | 2,894 |
| Annual Surplus Before Other | **630** | **265** | 460 |
| ***OTHER*** | | | |
| Transfer to The City of Winnipeg - Golf Course Reserve Fund | **-** | **-** | 140 |
| Annual Surplus | **$ 630** | **265** | 320 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **13,158** | 12,838 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 13,423** | $ 13,158 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Annual Surplus | **$ 265** | $ 320 |
| Non-cash charges to operations | | |
| Amortization | **238** | 225 |
| Retirement allowance and compensated absences | **3** | (3) |
| | **506** | 542 |
| Net change in non-cash working capital balances related to operations | **58** | 160 |
| Cash provided by operating activities | **564** | 702 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(336)** | (300) |
| ***FINANCING*** | | |
| Change in due to The City of Winnipeg - General Revenue Fund | **(192)** | (368) |
| Repayment of debt - The City of Winnipeg | **(36)** | (34) |
| Cash used in financing activities | **(228)** | (402) |
| ***CASH, BEGINNING OF YEAR*** | **-** | - |
| ***CASH, END OF YEAR*** | **$ -** | $ - |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***ANNUAL SURPLUS*** | **$ 630** | **$ 265** | $ 320 |
| Amortization of tangible capital assets | **232** | **238** | 225 |
| Acquisition of tangible capital assets | **(180)** | **(336)** | (300) |
| Change in inventories | **(1)** | **-** | (4) |
| ***DECREASE IN NET FINANCIAL LIABILITIES*** | **681** | **167** | 241 |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | **(9,389)** | **(9,751)** | (9,992) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (8,708)** | **$ (9,584)** | $ (9,751) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### 1. *Status of Golf Services - Special Operating Agency*

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for Golf Services - Special Operating Agency (the "Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by The City of Winnipeg and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to The City of Winnipeg on golf operations and ensure the long-term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

### 2. *Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

#### a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recorded as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

#### b) Deferred revenue

Sales of prepaid passes that have not been redeemed are deferred and recognized as revenue in the year in which the rounds are played.

#### c) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

## *2. Significant Accounting Policies (continued)*

### d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the deficiency of revenues over expenses, provides the change in financial liabilities for the year.

#### i) Tangible capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Assessment and Taxation Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002 is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Building | 25 years |
| Equipment | 5 to 10 years |
| Golf course improvements | 20 years |

#### ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was $42 thousand (2016 - $31 thousand).

### e) Revenue recognition

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played.

### f) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, and the useful life of tangible capital assets. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

### g) Accounting policy changes

The Public Sector Accounting Board issued updated standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the SOA for the fiscal year beginning January 1, 2018. As permitted in the standards, the SOA adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements. As a result of this adoption, no material impacts on the consolidated financial statements occurred.

### *3. Accounts Receivable*

| | 2017 | 2016 |
|---|---|---|
| Trade accounts receivable | **$ 553** | $ 579 |
| Allowance for doubtful accounts | **(419)** | (419) |
| | **$ 134** | $ 160 |

### *4. Due to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.85% (2016 - 0.35%).

Interest paid to The City of Winnipeg - General Revenue Fund was $49 thousand (2016 - $38 thousand).

### *5. Debt*

| | 2017 | 2016 |
|---|---|---|
| The City of Winnipeg - General Revenue Fund<br>Start-up loan, non-interest bearing | **$ 2,830** | $ 2,866 |

a) Principal repayments due within the next five years and thereafter are as follows:

| | |
|---|---|
| 2018 | $ 38 |
| 2019 | 41 |
| 2020 | 43 |
| 2021 | 46 |
| 2022 | 49 |
| Thereafter | 2,613 |
| | $ 2,830 |

### *6. Accrued Employee Benefits*

**a) Retirement allowance, vacation and compensated absences**

| | 2017 | 2016 |
|---|---|---|
| Retirement allowance - accrued liability | **$ 104** | $ 111 |
| Vacation | **31** | 26 |
| Compensated absences | **37** | 27 |
| | **$ 172** | $ 164 |

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 15.3 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

## *6. Accrued Employee Benefits (continued)*

The Agency measures its accrued retirement allowance obligations as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2017 calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Retirement allowance** | **Compensated absences** | Retirement allowance | Compensated absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 78** | **$ 77** | $ 85 | $ 76 |
| Current service cost | **5** | **10** | 6 | 11 |
| Interest cost | **2** | **2** | 2 | 2 |
| Benefit payments | **(8)** | **(9)** | (16) | (9) |
| Amortization of net actuarial loss (gain) | **10** | **1** | 1 | (3) |
| Balance, end of year | **87** | **81** | 78 | 77 |
| Unamortized net actuarial gain (loss) | **17** | **(44)** | 33 | (50) |
| Accrued benefit liability | **$ 104** | **$ 37** | $ 111 | $ 27 |
| Benefit expense consists of the following: | | | | |
| Current service cost | **$ 5** | **$ 10** | $ 6 | $ 11 |
| Interest cost | **2** | **2** | 2 | 2 |
| Amortization of net actuarial (gain) loss | **(6)** | **7** | (7) | 8 |
| | **$ 1** | **$ 19** | $ 1 | $ 21 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 111** | **$ 27** | $ 126 | $ 15 |
| Benefits expense | **1** | **19** | 1 | 21 |
| Benefits payments | **(8)** | **(9)** | (16) | (9) |
| Balance, end of year | **$ 104** | **$ 37** | $ 111 | $ 27 |

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Valuation interest rate | **3.0%** | 3.0% |
| General increases in pay | **2.5%** | 2.5% |

## *6. Accrued Employee Benefits (continued)*

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

### b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $83 thousand (2016 - $86 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2017 and it has an actuarial surplus.

## *7. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2017** | 2016 |
| Land | **$ 20,376** | $ 20,376 |
| Building | **1,283** | 1,136 |
| Golf course improvements | **1,018** | 1,024 |
| Equipment | **283** | 326 |
| | **$ 22,960** | $ 22,862 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

## *8. Accumulated Surplus*

| | **Budget 2017** | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| Invested in tangible capital assets | **$ 2,663** | **$ 2,386** | $ 2,288 |
| Allocated equity | **587** | **169** | - |
| Contributed surplus | **20,574** | **20,574** | 20,574 |
| Operating | **(9,748)** | **(9,706)** | (9,704) |
| | **$ 14,076** | **$ 13,423** | $ 13,158 |

## *9. Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

a) An amount of $6 thousand (2016 - $5 thousand) has been charged to City of Winnipeg Departments for miscellaneous services;

b) An amount of $39 thousand (2016 - $34 thousand) has been charged by City of Winnipeg Departments for miscellaneous services. No amount (2016 - $nil) has been charged for the cost of financial, legal, 311, information technology and human resource support services provided by City of Winnipeg Departments.

## *9. Related Party Transactions (continued)*

c) An amount of $474 thousand (2016 - $393 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

d) An amount of $175 thousand (2016 - $167 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles and equipment owned/leased by the Agency.

## *10 Commitments and Contingencies*

a) The Agency has entered into a lease agreement with a third party for the lease of a building facility for a 25 year term until 2040. Future minimum annual lease payments are as follows:

| | Operating Leases |
|---|---|
| 2018 | $ 41 |
| 2019 | 41 |
| 2020 | 41 |
| 2021 and thereafter | 785 |
| | $ 908 |

**b) Legal obligations**

As part of the normal course of operations, lawsuits are pending against the Agency. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2017 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of the loss can be reasonably estimated, amounts have been recorded in the financial statements. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the financial statements.

**Schedule 1**

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*

| | Land | Building | Equipment | Golf Course Improvements | Total 2017 | Total 2016 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of year | $ 20,376 | $ 2,511 | $ 1,334 | $ 1,536 | $ 25,757 | $ 25,457 |
| Add: | | | | | | |
| Additions during the year | - | 252 | 12 | 72 | 336 | 300 |
| Less: | | | | | | |
| Disposals during the year | - | - | (18) | - | (18) | - |
| Balance, end of year | 20,376 | 2,763 | 1,328 | 1,608 | 26,075 | 25,757 |
| **Accumulated amortization** | | | | | | |
| Balance, beginning of year | - | 1,375 | 1,008 | 512 | 2,895 | 2,670 |
| Add: | | | | | | |
| Amortization | - | 105 | 55 | 78 | 238 | 225 |
| Less: | | | | | | |
| Accumulated amortization on disposals | - | - | (18) | - | (18) | - |
| Balance, end of year | - | 1,480 | 1,045 | 590 | 3,115 | 2,895 |
| **Net Book Value of Tangible Capital Assets** | $ 20,376 | $ 1,283 | $ 283 | $ 1,018 | $ 22,960 | $ 22,862 |

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 1** | $ 37 |
| Accounts receivable | **199** | 125 |
| | **200** | 162 |
| ***LIABILITIES*** | | |
| Due to The City of Winnipeg - General Revenue Fund (Note 3) | **15,446** | 9,922 |
| Accounts payable and accrued liabilities | **1,726** | 1,029 |
| Debt (Note 4) | **30,995** | 30,012 |
| Other liabilities (Note 5) | **81** | 410 |
| Accrued employee benefits (Note 6a) | **2,026** | 1,853 |
| | **50,274** | 43,226 |
| ***NET FINANCIAL LIABILITIES*** | **(50,074)** | (43,064) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 7) | **69,307** | 62,353 |
| Inventories | **1,694** | 1,659 |
| Prepaid expenses | **618** | 603 |
| | **71,619** | 64,615 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **$ 21,545** | $ 21,551 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Fleet leases | **$ 28,068** | **$ 24,884** | $ 25,285 |
| Services and parts revenue (Schedule 1) | **7,655** | **8,416** | 8,916 |
| Fuel sales | **7,236** | **7,005** | 6,355 |
| Rental income | **3,651** | **3,868** | 3,884 |
| Gain on sale of tangible capital assets | **400** | **1,461** | 1,721 |
| Transfer from The City of Winnipeg - Innovative Capital Fund (Note 9f) | **-** | **-** | 371 |
| Total Revenues | **47,010** | **45,634** | 46,532 |
| ***EXPENSES*** | | | |
| Amortization | **14,743** | **14,052** | 14,028 |
| Salaries and employee benefits | **11,461** | **10,052** | 10,004 |
| Supplies | **10,076** | **9,575** | 9,558 |
| Services | **8,275** | **9,481** | 9,910 |
| Interest (Notes 3 and 4) | **1,154** | **1,003** | 1,040 |
| Other expenses | **1,575** | **1,385** | 1,489 |
| Total Expenses | **47,284** | **45,548** | 46,029 |
| Annual (Deficit) Surplus Before Other | **(274)** | **86** | 503 |
| ***OTHER*** | | | |
| Transfer to The City of Winnipeg - General Revenue Fund (Note 9e) | **92** | **92** | 1,492 |
| Annual Deficit | **$ (366)** | **(6)** | (989) |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **21,551** | 22,540 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 21,545** | $ 21,551 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Annual Deficit | **$ (6)** | $ (989) |
| Non-cash charges to operations | | |
| Amortization | **14,052** | 14,028 |
| Gain on sale of tangible capital assets | **(1,461)** | (1,721) |
| | **12,585** | 11,318 |
| Net change in non-cash working capital balances related to operations | **417** | (209) |
| Cash provided by operating activities | **13,002** | 11,109 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(22,055)** | (14,769) |
| Proceeds on disposal of tangible capital assets | **2,510** | 2,229 |
| Cash used in capital activities | **(19,545)** | (12,540) |
| ***FINANCING*** | | |
| Change in due to The City of Winnipeg - General Revenue Fund | **5,524** | 1,945 |
| Proceeds from term loans | **10,900** | 9,700 |
| Repayment of term loans | **(9,917)** | (10,177) |
| Cash provided by (used in) financing activities | **6,507** | 1,468 |
| Increase/(Decrease) in cash | **(36)** | 37 |
| ***CASH, BEGINNING OF YEAR*** | **37** | - |
| ***CASH, END OF YEAR*** | **$ 1** | $ 37 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Annual Deficit | **$ (6)** | $ (989) |
| Non-cash charges to operations | | |
| Amortization | **14,052** | 14,028 |
| Gain on sale of tangible capital assets | **(1,461)** | (1,721) |
| | **12,585** | 11,318 |
| Net change in non-cash working capital balances related to operations | **417** | (209) |
| Cash provided by operating activities | **13,002** | 11,109 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(22,055)** | (14,769) |
| Proceeds on disposal of tangible capital assets | **2,510** | 2,229 |
| Cash used in capital activities | **(19,545)** | (12,540) |
| ***FINANCING*** | | |
| Change in due to The City of Winnipeg - General Revenue Fund | **5,524** | 1,945 |
| Proceeds from term loans | **10,900** | 9,700 |
| Repayment of term loans | **(9,917)** | (10,177) |
| Cash provided by (used in) financing activities | **6,507** | 1,468 |
| Increase/(Decrease) in cash | **(36)** | 37 |
| ***CASH, BEGINNING OF YEAR*** | **37** | - |
| ***CASH, END OF YEAR*** | **$ 1** | $ 37 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***ANNUAL DEFICIT*** | **$ (366)** | **$ (6)** | $ (989) |
| Amortization of tangible capital assets | **14,743** | **14,052** | 14,028 |
| Proceeds on disposal of tangible capital assets | **400** | **2,510** | 2,229 |
| Change in inventories and prepaid expenses | **(47)** | **(50)** | 11 |
| Gain on sale of tangible capital assets | **(400)** | **(1,461)** | (1,721) |
| Acquisition of tangible capital assets | **(20,253)** | **(22,055)** | (14,769) |
| ***INCREASE IN NET FINANCIAL LIABILITIES*** | **(5,923)** | **(7,010)** | (1,211) |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | **(46,615)** | **(43,064)** | (41,853) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (52,538)** | **$ (50,074)** | $ (43,064) |

*See accompanying notes and schedules to the financial statements*

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### *1. Status of the Winnipeg Fleet Management Agency*

On May 28, 2003, City Council adopted the Winnipeg Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other pubic organizations, in support of their service delivery.

### *2. Significant Accounting Policies*

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

**a) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

**b) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual (deficit) surplus, provides the change in net financial liabilities for the year.

**i) Tangible capital assets**

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

*2. Significant Accounting Policies (continued)*

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

| | | |
|---|---|---|
| Buildings | 4% to 8% | Straight-line |
| Fleet assets | | |
| Acquired at start-up | 30% | Declining balance |
| Purchased | 1 to 15 years | Straight-line |
| Equipment | 3% to 30% | Straight-line |

Amortization begins once an asset is placed into service.

**ii) Inventories**

Inventories held for consumption are recorded at the lower of cost and net realizable value.

**c) Revenue recognition**

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

**d) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue or expense in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

**e) Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

## 2. *Significant Accounting Policies (continued)*

### f) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

### g) Accounting policy changes

The Public Sector Accounting Board issued updated standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As permitted in the standards, the Agency adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements. As a result of this adoption, other than the addition of note 10, no material impacts on the consolidated financial statements occurred.

## 3. *Due to/from The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.85% (2016 - 0.35%). As well, the Agency has negotiated an operating line of credit up to $20 million from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was $68 thousand (2016 - $32 thousand)

## 4. *Debt*

| Lender | Maturity Date | Interest Rate | 2017 | 2016 |
|---|---|---|---|---|
| Royal Bank of Canada (Note 4b) | 2018 - 2024 | 1.90% - 5.20% | **$ 6,057** | $ 9,225 |
| The Toronto-Dominion Bank (Note 4b) | 2018 - 2026 | 1.5% - 4.14% | **24,760** | 20,609 |
| | | | **30,817** | 29,834 |
| The City of Winnipeg - non-interest bearing, no repayment schedule | | | **178** | 178 |
| | | | **$ 30,995** | $ 30,012 |

a) Principal repayments due within the next five years and thereafter are as follows:

| | |
|---|---|
| 2018 | $ 8,948 |
| 2019 | 6,329 |
| 2020 | 3,961 |
| 2021 | 3,313 |
| 2022 | 2,847 |
| Thereafter | 5,419 |
| | $ 30,817 |

## *4. Debt (continued)*

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2017, $30,817 thousand (2016 - $29,834 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2017 was 3.08% (2016 - 3.33%).

c) Cash paid for interest during the year is $927 thousand (2016 - $1,020 thousand).

## *5. Other liability*

| | **2017** | 2016 |
|---|---|---|
| **Environmental liability** | **$ 81** | $ 410 |

The agency has estimated an environmental liability for its former fuel site that has been decommissioned containing soil contamination with petrol hydro carbon products. There was an environmental assessment that stated contamination levels above the Canadian Council of Ministers of the Environment (CCME) criteria.

## *6. Accrued Employee Benefits*

### a) Retirement allowance, vacation and compensated absences

| | **2017** | 2016 |
|---|---|---|
| Retirement allowance - accrued liability | **$ 983** | $ 937 |
| Vacation | **771** | 686 |
| Compensated absences | **272** | 230 |
| | **$ 2,026** | $ 1,853 |

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 13.3 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

## 6. *Accrued Employee Benefits (continued)*

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Retirement allowance** | **Compensated absences** | Retirement allowance | Compensated absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 731** | **$ 475** | $ 734 | $ 463 |
| Current service cost | **44** | **50** | 44 | 50 |
| Interest cost | **22** | **15** | 21 | 14 |
| Benefit payments | **(11)** | **(48)** | (8) | (48) |
| Amortization of net actuarial (gain)/loss | **(93)** | **4** | (60) | (4) |
| Balance, end of year | **693** | **496** | 731 | 475 |
| Unamortized net actuarial gain/(loss) | **290** | **(224)** | 206 | (245) |
| Accrued benefit liability | **$ 983** | **$ 272** | $ 937 | $ 230 |
| Benefit expense consists of the following: | | | | |
| Current service cost | **$ 44** | **$ 50** | $ 44 | $ 50 |
| Interest cost | **22** | **15** | 21 | 14 |
| Amortization of net actuarial (gain)/loss | **(9)** | **25** | (6) | 26 |
| | **$ 57** | **$ 90** | $ 59 | $ 90 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 937** | **$ 230** | $ 886 | $ 188 |
| Benefits expense | **57** | **90** | 59 | 90 |
| Benefits payments | **(11)** | **(48)** | (8) | (48) |
| Balance, end of year | **$ 983** | **$ 272** | $ 937 | $ 230 |

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Valuation interest rate | **3.0%** | 3.0% |
| General increases in pay | **2.5%** | 2.5% |

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

### b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $819 thousand (2016 - $810 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and it has an actuarial surplus.

### *7. Tangible Capital Assets*

| | Net Book Value 2017 | 2016 |
|---|---|---|
| Fleet assets | **$ 63,210** | $ 56,138 |
| Equipment | **3,541** | 3,773 |
| Buildings | **2,166** | 2,052 |
| Land | **390** | 390 |
| | **$ 69,307** | $ 62,353 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 2).

The net book value of fleet assets and property not yet in service is $3,769 thousand (2016 - $3,531 thousand).

### *8. Accumulated Surplus*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| Contributed surplus | **$ 11,425** | **$ 11,425** | $ 11,425 |
| Invested in tangible capital assets | **37,510** | **38,490** | 32,519 |
| Operating | **(28,291)** | **(28,370)** | (22,393) |
| | **$ 20,644** | **$ 21,545** | $ 21,551 |

### *9. Related Party Transactions*

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $43,161 thousand and (2016 - $43,595 thousand) to The City of Winnipeg.

b) An amount of $396 thousand (2016 - $457 thousand) has been transferred to the General Revenue Fund for miscellaneous services.

c) An amount of $1,385 thousand (2016 - $1,078 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, building and leasehold improvements, and miscellaneous services.

d) An amount of $nil thousand (2016 - $1 thousand) has been transferred to the Parking Services Agency for miscellaneous services.

e) An amount of $92 thousand (2016 - $1,492 thousand) has been transferred to the General Revenue Fund as a return on investment.

f) An amount of $nil thousand (2016 - $371) has been transferred to Fleet Management Agency from Innovative Capital Fund.

## 10. Contractual Rights

The Agency enters into capital lease agreement with City departments and other SOAs which are rights to economic resources that result in capital lease revenue in the future.

Future capital lease revenue from contractual rights for the next five years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 15,116 |
| 2019 | | 13,099 |
| 2020 | | 10,722 |
| 2021 | | 8,211 |
| 2022 | | 6,209 |
| Thereafter | | 10,280 |
| | $ | 63,637 |

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

**Schedule 1**

## SCHEDULE OF SERVICES AND PARTS REVENUE

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 (Unaudited) | Actual 2017 | Actual 2016 |
|---|---|---|---|
| Consumables and corrective maintenance | **$ 3,906** | **$ 4,636** | $ 5,200 |
| Insurance revenue | **1,907** | **1,935** | 1,937 |
| Power tools | **795** | **795** | 803 |
| Manufacturing sales | **750** | **564** | 590 |
| Other | **130** | **314** | 222 |
| Provincial support grant | **167** | **172** | 164 |
| | **$ 7,655** | **$ 8,416** | $ 8,916 |

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

**Schedule 2**

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*

| | Land | Buildings | Fleet Assets | Equipment | Total 2017 | Total 2016 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of year | **$ 390** | **$ 3,881** | **$ 149,552** | **$ 7,959** | **$ 161,782** | $ 159,170 |
| Add: | | | | | | |
| Additions during the year | **-** | **295** | **21,397** | **363** | **22,055** | 14,769 |
| Less: | | | | | | |
| Disposals during the year | **-** | **-** | **(11,875)** | **(11)** | **(11,886)** | (12,157) |
| Balance, end of year | **390** | **4,176** | **159,074** | **8,311** | **171,951** | 161,782 |
| **Accumulated amortization** | | | | | | |
| Balance, beginning of year | **-** | **1,829** | **93,414** | **4,186** | **99,429** | 97,050 |
| Add: | | | | | | |
| Amortization | **-** | **181** | **13,276** | **595** | **14,052** | 14,028 |
| Less: | | | | | | |
| Accumulated amortization on disposals | **-** | **-** | **(10,826)** | **(11)** | **(10,837)** | (11,649) |
| Balance, end of year | **-** | **2,010** | **95,864** | **4,770** | **102,644** | 99,429 |
| **Net Book Value of Tangible Capital Assets** | **$ 390** | **$ 2,166** | **$ 63,210** | **$ 3,541** | **$ 69,307** | $ 62,353 |

## THE CITY OF WINNIPEG
## WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

### STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| ***FINANCIAL ASSETS*** | | | | |
| Cash | **$** | **78** | $ | 55 |
| Due from The City of Winnipeg - General Revenue Fund (Note 3) | | **9,221** | | 4,372 |
| Accounts receivable | | **2,375** | | 1,874 |
| Due from The City of Winnipeg - Land Operating Reserve (Note 4) | | **9,405** | | 10,000 |
| | | **21,079** | | 16,301 |
| ***LIABILITIES*** | | | | |
| Accounts payable and accrued liabilities | | **289** | | 1,096 |
| Deferred revenue | | **133** | | 106 |
| Debt (Note 5) | | **3,918** | | 3,918 |
| Accrued employee benefits (Note 6) | | **506** | | 410 |
| | | **4,846** | | 5,530 |
| ***NET FINANCIAL ASSETS*** | | **16,233** | | 10,771 |
| ***NON-FINANCIAL ASSETS*** | | | | |
| Tangible capital assets (Note 7) | | **6,096** | | 6,806 |
| Inventories | | **221** | | 181 |
| Prepaid expenses | | **1** | | 1 |
| | | **6,318** | | 6,988 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **$** | **22,551** | $ | 17,759 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*
*(in thousands of dollars)*

| | **Budget 2017** | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Enforcement | **$ 7,586** | **$ 8,370** | $ 7,106 |
| Meters | **6,106** | **6,893** | 6,775 |
| Parking fees (Note 9c) | | | |
| Surface parking lots | **1,818** | **1,698** | 1,521 |
| Millennium Library parkade | **803** | **1,276** | 953 |
| Special events | **486** | **584** | 568 |
| Parking permits | **91** | **110** | 99 |
| Sundry | **58** | **91** | 73 |
| Total Revenues | **16,948** | **19,022** | 17,095 |
| ***EXPENSES*** | | | |
| Services (Notes 9b, d, and h) | | | |
| Enforcement - contracts | **3,297** | **2,914** | 3,042 |
| Meters | **1,891** | **1,572** | 1,603 |
| Utilities | **436** | **333** | 354 |
| Parkade management | **271** | **224** | 230 |
| Special events | **160** | **138** | 129 |
| Other services (Note 9f) | **1,703** | **924** | 1,068 |
| Salaries and employee benefits (Note 6) | **3,859** | **3,324** | 3,105 |
| Amortization | **1,194** | **1,185** | 1,240 |
| Materials, parts and supplies | **1,756** | **880** | 720 |
| Provision for bad debts | **838** | **828** | 934 |
| Debt and finance charges | **183** | **232** | 188 |
| Recoveries | **(3)** | **(26)** | (42) |
| Other (Notes 9a, e, g, i and j) | **3,077** | **1,202** | 1,412 |
| Total Expenses | **18,662** | **13,730** | 13,983 |
| Excess (Deficiency) of Revenues over Expenses before Other | **(1,714)** | **5,292** | 3,112 |
| ***OTHER*** | | | |
| Transfer to The City of Winnipeg - General Revenue Fund (Note 9k) | **500** | **500** | - |
| Annual (Deficiency) Excess of Revenues over Expenses | **(2,214)** | **4,792** | 3,112 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | **17,759** | **17,759** | 14,647 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | **$ 15,545** | **$ 22,551** | $ 17,759 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Excess (deficiency) of revenues over expenses | **$ 4,792** | $ 3,112 |
| Non-cash items related to operations | | |
| Amortization | **1,185** | 1,240 |
| | **5,977** | 4,352 |
| Net change in non-cash working capital balances related to operations | **(1,225)** | (1,092) |
| Cash provided by operating activities | **4,752** | 3,260 |
| ***FINANCING*** | | |
| Change in due from/to The City of Winnipeg - General Revenue Fund | **(4,849)** | (2,835) |
| Change in due from/to The City of Winnipeg - Land Operating Reserve | **595** | - |
| Cash used in financing activities | **(4,254)** | (2,835) |
| ***CAPITAL*** | | |
| Purchase of tangible capital assets | **(475)** | (409) |
| Cash used in capital activities | **(475)** | (409) |
| ***INCREASE IN CASH*** | **23** | 16 |
| ***CASH, BEGINNING OF YEAR*** | **55** | 39 |
| ***CASH, END OF YEAR*** | **$ 78** | $ 55 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE OF NET FINANCIAL ASSETS

*For the years ended December 31*
*(in thousands of dollars)*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES*** | **$ (2,214)** | **$ 4,792** | $ 3,112 |
| Amortization of tangible capital assets | **1,194** | **1,185** | 1,240 |
| Change in inventories and prepaid expenses | **-** | **(40)** | (76) |
| Acquisition of tangible capital assets | **(1,338)** | **(475)** | (409) |
| ***INCREASE (DECREASE) IN NET FINANCIAL ASSETS*** | **(2,358)** | **5,462** | 3,867 |
| ***NET FINANCIAL ASSETS , BEGINNING OF YEAR*** | **8,519** | **10,771** | 6,904 |
| ***NET FINANCIAL ASSETS, END OF YEAR*** | **$ 6,161** | **$ 16,233** | $ 10,771 |

*See accompanying notes and schedule to the financial statements*

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### *1. Description of Business*

On March 20, 1997, City Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, City Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, City Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by The City of Winnipeg ("the City"). The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

### *2. Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

#### a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

#### b) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or services performed.

#### c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

## 2. *Significant Accounting Policies (continued)*

### i) Tangible capital assets

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. The amortization rates are as follows:

| | |
|---|---|
| Leasehold improvements | 15 Years |
| Parking surfaces | 5% |
| Parkades | 4% |
| Vehicles | 20% |
| Meters and pay stations | 10% |
| Equipment | 10-20% |
| Computer equipment | 33% |
| Office furniture and equipment | 20% |
| Parkade betterments | 5% |

### ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### iii) Inventories

Inventories held for consumption is recorded at the lower of cost and replacement cost.

### iv) Accounting policy changes

The Public Sector Accounting Board issued updated standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As permitted in the standards, the Agency adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements. As a result of this adoption, no material impacts on the financial statements occurred.

### d) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

### e) Use of estimates

The preparation of financial statement in conformity with Canadian generally acceptable accounting principles requires management to make estimates. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

## 3. *Due from The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2017 effective interest rate was 0.85% (2016 - 0.35%).

## 4. *Due from The City of Winnipeg - Land Operating Reserve*

Interest received from The City of Winnipeg General Revenue Fund on the line of credit was $40 thousand for the year (2016 - $10 thousand).

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable. In 2017 a payment of $595 thousand was received from The City of Winnipeg - Land Operating Reserve.

## 5. *Debt*

| | **2017** | 2016 |
|---|---|---|
| **The City of Winnipeg - General Revenue Fund** | | |
| Start-up loan with no specific terms of repayment | **$ 3,918** | $ 3,918 |
| | **$ 3,918** | $ 3,918 |

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2016 - $nil).

## 6. *Accrued Employee Benefits*

### a) Retirement allowance, vacation and compensated absences

| | **2017** | 2016 |
|---|---|---|
| Vacation | **$ 294** | $ 226 |
| Retirement allowance - accrued benefit liability | **150** | 133 |
| Compensated absences | **62** | 51 |
| | **$ 506** | $ 410 |

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 14.3 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

## 6. *Accrued Employee Benefits (continued)*

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Retirement Allowance** | **Compensated Absences** | Retirement Allowance | Compensated Absences |
| Accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 145** | **$ 115** | $ 147 | $ 110 |
| Current service cost | **11** | **15** | 11 | 15 |
| Interest cost | **4** | **4** | 4 | 3 |
| Benefit payments | **-** | **(13)** | - | (13) |
| Net actuarial (gain)/loss | **(1)** | **6** | (17) | - |
| Balance, end of year | **159** | **127** | 145 | 115 |
| Unamortized net actuarial (loss)/gain | **(9)** | **(65)** | (12) | (64) |
| Accrued benefit liability | **$ 150** | **$ 62** | $ 133 | $ 51 |
| Benefit expense: | | | | |
| Current service cost | **$ 11** | **$ 15** | $ 11 | $ 15 |
| Interest cost | **4** | **4** | 4 | 3 |
| Amortization of net actuarial (gain)/loss | **2** | **5** | 3 | 5 |
| | **$ 17** | **$ 24** | $ 18 | $ 23 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 133** | **$ 51** | $ 115 | $ 41 |
| Benefit expense | **17** | **24** | 18 | 23 |
| Benefit payments | **-** | **(13)** | - | (13) |
| | **$ 150** | **$ 62** | $ 133 | $ 51 |

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Valuation interest rate | **3.00%** | 3.00% |
| General increases in pay | **2.50%** | 2.50% |

### b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $271 thousand (2016 - $253 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2016 and it has an actuarial surplus.

## 7. *Tangible Capital Assets*

| | Net Book Value 2017 | 2016 |
|---|---|---|
| Land | **$ 73** | $ 73 |
| Parkades | **4,067** | 4,318 |
| Authority assets | | |
| Leasehold improvements | **368** | 421 |
| Parking surfaces | **186** | 250 |
| | **554** | 671 |
| Equipment | | |
| Meters and pay stations | **896** | 1,561 |
| Equipment | **308** | 82 |
| Computer equipment | **38** | 42 |
| Office furniture and equipment | **23** | 25 |
| Vehicles | **137** | 34 |
| | **1,402** | 1,744 |
| | **$ 6,096** | $ 6,806 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, $105 thousand (2016 - $nil) of tangible capital assets were written-down. The prior year write down was a result of a retroactive change to the estimated lifespan of audio/visual equipment.

## 8. *Accumulated Surplus*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| Restricted funds for future investment | **$ 10,000** | **$ 12,000** | $ 12,000 |
| Invested in tangible capital assets | **3,288** | **2,105** | 2,815 |
| Contributed surplus | **73** | **73** | 73 |
| Operating | **2,184** | **8,373** | 2,871 |
| | **$ 15,545** | **$ 22,551** | $ 17,759 |

## 9. *Related Party Transactions*

The Agency is wholly-owned by the City. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) An amount of $349 thousand (2016 - $347 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

b) In Services, an amount of $391 thousand (2016 - $341 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance, fuel, maintenance, and rental on vehicles owned/leased by the Agency.

c) Revenues include sales of $679 thousand (2016 - $299 thousand) to the City.

### *9. Related Party Transactions (continued)*

d) In Services, an amount of $254 thousand (2016 - $283 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

e) An amount of $202 thousand (2016 - $195 thousand) has been transferred to The City of Winnipeg General Revenue Fund for payments-in-lieu of municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.

f) An amount of $119 thousand (2016 - $163 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

g) An amount of $133 thousand (2016 - $133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of 311 services.

h) In Services, an amount of $48 thousand (2016 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

i) An amount of $42 thousand (2016 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

j) An amount of $38 thousand (2016 - $38 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.

k) An amount of $500 thousand (2016 - $nil) has been transferred to The City of Winnipeg General Revenue Fund as a return on investment.

### *10. Comparative Figures*

Certain comparative figures have been reclassified to conform with the current year's presentation.

## THE CITY OF WINNIPEG
## WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

**Schedule 1**

### SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*
*(in thousands of dollars)*

| | Land | Parkades | Authority Assets | Equipment | Total 2017 | Total 2016 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of year | $ 73 | $ 6,668 | $ 1,237 | $ 12,679 | $ 20,657 | $ 20,248 |
| Add: | | | | | | |
| Additions during the year | - | 18 | 18 | 439 | 475 | 409 |
| Less: | | | | | | |
| Write-down of tangible capital assets | | | (105) | | (105) | |
| Disposals during the year | - | - | | - | - | - |
| Balance, end of year | 73 | 6,686 | 1,150 | 13,118 | 21,027 | 20,657 |
| **Accumulated amortization** | | | | | | |
| Balance, beginning of year | - | 2,350 | 566 | 10,935 | 13,851 | 12,611 |
| Add: | | | | | | |
| Amortization | - | 269 | 135 | 781 | 1,185 | 1,240 |
| Less: | | | | | | |
| Write-down of tangible capital assets | | | (105) | | (105) | |
| Accumulated amortization on disposals | - | - | - | | - | - |
| Balance, end of year | - | 2,619 | 596 | 11,716 | 14,931 | 13,851 |
| **Net Book Value of Tangible Capital Assets** | $ 73 | $ 4,067 | $ 554 | $ 1,402 | $ 6,096 | $ 6,806 |

Photo: City of Winnipeg

# 2017 Wholly Owned Corporations
## Detailed Financial Statements

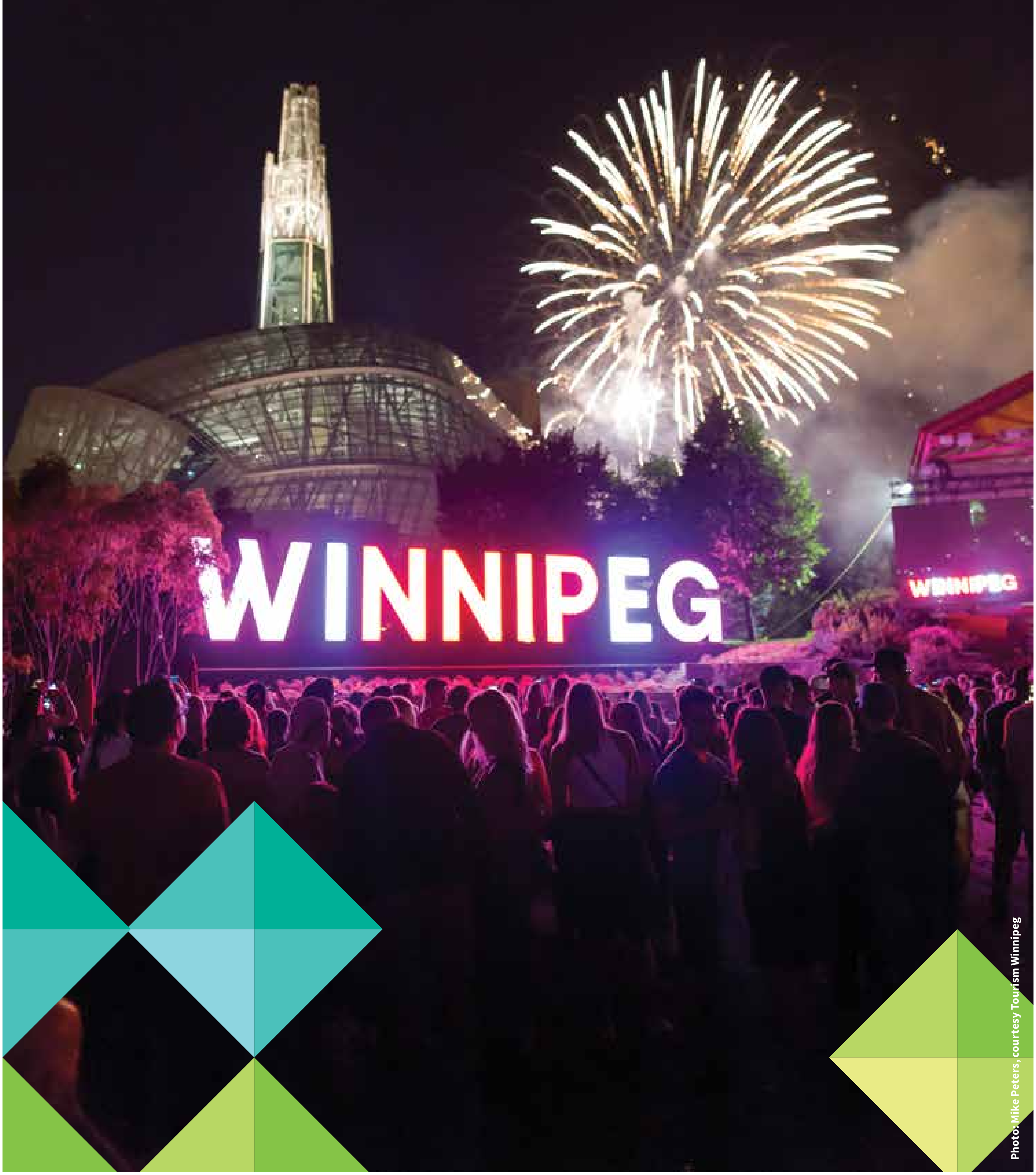


Photo: Mike Peters, courtesy Tourism Winnipeg

# THE CONVENTION CENTRE CORPORATION
## STATEMENT OF FINANCIAL POSITION
*December 31*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current Assets | | |
| Cash and bank | **$ 1,369,135** | $ 1,560,227 |
| Accounts receivable | **1,358,800** | 1,669,863 |
| Inventory | **222,361** | 246,475 |
| Prepaid expenses | **85,798** | 73,839 |
| | **3,036,094** | 3,550,404 |
| Tangible capital assets (Note 2) | **177,244,187** | 183,154,073 |
| | **$ 180,280,281** | $ 186,704,477 |
| ***LIABILITIES AND FUND BALANCES*** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | **$ 2,847,360** | $ 3,059,557 |
| Interest payable | **505,977** | 515,100 |
| Customer deposits and unearned revenue | **1,228,355** | 1,206,874 |
| Demand loan - expansion (Note 6) | **7,400,000** | 5,000,000 |
| Current portion of long-term debt - expansion (Note 8) | **313,256** | 301,092 |
| Current portion of due to Province of Manitoba (Note 9) | **1,400,000** | 1,400,000 |
| Due to City of Winnipeg (Note 10) | **3,730,979** | 3,750,000 |
| | **17,425,927** | 15,232,623 |
| Deferred funding - wall cladding replacement and stabilization (Note 3) | **1,627,246** | 1,957,205 |
| Deferred funding - roof replacement (Note 4) | **2,334,729** | 2,460,364 |
| Deferred funding - expansion (Note 5) | **139,975,611** | 144,930,500 |
| Long-term debt - expansion (Note 8) | **16,385,652** | 16,698,908 |
| Due to Province of Manitoba (Note 9) | **1,400,000** | 2,800,000 |
| | **179,149,165** | 184,079,600 |
| Commitments (Note 17) | | |
| ***FUND BALANCES*** | | |
| Operating fund | **563,000** | 667,178 |
| Restricted fund | **1,545,693** | 1,659,880 |
| Invested in capital assets (Note 12) | **(977,577)** | 297,819 |
| | **1,131,116** | 2,624,877 |
| | **$ 180,280,281** | $ 186,704,477 |

*See accompanying notes to the financial statements*

# THE CONVENTION CENTRE CORPORATION
## STATEMENT OF CHANGES IN FUND BALANCES
*For the year ended December 31*

| | Operating Fund | Restricted Fund | Invested in Capital Assets Fund | **2017 Total** | 2016 Total |
|---|---|---|---|---|---|
| Fund balances, beginning of year | $ 667,178 | $ 1,659,880 | $ 297,819 | **$ 2,624,877** | $ 4,285,593 |
| Excess (deficiency) of revenue over expenses | 1,146,822 | - | (2,640,583) | **(1,493,761)** | (1,660,716) |
| Capital assets purchased from operations | (545,266) | - | 545,266 | - | - |
| Capital assets purchased from restricted fund | - | (215,654) | 215,654 | - | - |
| Expansion capital assets purchased from restricted fund | - | (604,267) | 604,267 | - | - |
| Transfers to restricted fund | (705,734) | 705,734 | - | - | - |
| | (104,178) | (114,187) | (1,275,396) | **(1,493,761)** | (1,660,716) |
| Fund balances, end of year | $ 563,000 | $ 1,545,693 | $ (977,577) | **$ 1,131,116** | $ 2,624,877 |

# THE CONVENTION CENTRE CORPORATION
## STATEMENT OF OPERATIONS
*For the year ended December 31*

| | 2017 | 2016 |
|---|---|---|
| Operating revenue | **$ 17,827,679** | $ 16,098,017 |
| Operating costs | **7,985,764** | 7,547,551 |
| Net operating revenue | **9,841,915** | 8,550,466 |
| General Operating Grant (Note 13) | | |
| City of Winnipeg | **1,500,000** | 1,500,000 |
| Province of Manitoba | **1,265,400** | 1,406,000 |
| | **2,765,400** | 2,906,000 |
| | **12,607,315** | 11,456,466 |
| Expenses | | |
| Accounting and financial services and human resources | **1,044,736** | 965,436 |
| Administration | **2,027,309** | 2,191,631 |
| Building maintenance | **5,149,183** | 4,982,604 |
| Client services | **1,416,137** | 1,296,752 |
| Sales and promotion | **999,777** | 1,024,650 |
| Security | **823,351** | 783,320 |
| | **11,460,493** | 11,244,393 |
| Operating fund excess of revenue over expenses | **1,146,822** | 212,073 |
| Capital fund | | |
| Recognition of deferred contributions related to capital assets | **5,410,483** | 4,171,761 |
| Amortization of capital assets | **(7,275,074)** | (5,536,363) |
| Interest on demand loan and long-term debt | **(775,992)** | (508,187) |
| Capital fund deficiency of revenue over expenses | **(2,640,583)** | (1,872,789) |
| Deficiency of revenue over expenses | **$ (1,493,761)** | $ (1,660,716) |

*See accompanying notes to the financial statements*

# THE CONVENTION CENTRE CORPORATION
## STATEMENT OF CASH FLOWS
*For the year ended December 31*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***CASH FLOWS FROM OPERATING ACTIVITIES*** | | | | |
| Deficiency of revenue over expenses | **$** | **(1,493,761)** | $ | (1,660,716) |
| Adjustments for non-cash items | | | | |
| Amortization of capital assets | | **7,275,074** | | 5,536,363 |
| Amortization of deferred contributions | | **(5,410,483)** | | (4,171,761) |
| | | **370,830** | | (296,114) |
| Changes in non-cash working capital balances | | | | |
| Accounts receivable | | **311,063** | | 563,949 |
| Receivable - expansion funding | | **-** | | 4,949,378 |
| Inventory | | **24,114** | | 136,236 |
| Prepaid expenses | | **(11,959)** | | 249 |
| Long-term receivable | | **-** | | 193,335 |
| Accounts payable and accrued liabilities | | **(212,197)** | | 375,139 |
| Accounts payable related to expansion | | **-** | | (1,647,458) |
| Interest payable | | **(9,123)** | | 515,100 |
| Customer deposits and unearned revenue | | **21,481** | | 349,281 |
| Net cash provided by operating activities | | **494,209** | | 5,139,095 |
| ***CASH FLOW FROM CAPITAL ACTIVITIES*** | | | | |
| Major repair and replacement expenditures | | **(760,921)** | | (632,368) |
| Expansion costs | | **(604,267)** | | (6,205,634) |
| Net cash used in capital activities | | **(1,365,188)** | | (6,838,002) |
| ***CASH FLOWS FROM FINANCING ACTIVITIES*** | | | | |
| Due to Province of Manitoba (repayment) | | **(1,400,000)** | | (1,400,000) |
| Due to City of Winnipeg (repayment) | | **(19,021)** | | - |
| Demand loan - expansion repayment advance (repayment) | | **2,400,000** | | (13,900,000) |
| Proceeds from long-term debt - expansion | | **-** | | 17,000,000 |
| Long-term debt (repayment) | | **(301,092)** | | - |
| Net cash provided by financing activities | | **679,887** | | 1,700,000 |
| ***INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS*** | | **(191,092)** | | 1,093 |
| Cash and cash equivalents, beginning of year | | **1,560,227** | | 1,559,134 |
| Cash and cash equivalents, end of year | **$** | **1,369,135** | $ | 1,560,227 |

*See accompanying notes to the financial statements*

# THE CONVENTION CENTRE CORPORATION
## NOTES TO FINANCIAL STATEMENTS
*For the year ended December 31, 2017*

### *1. Nature of Operations and Summary of Significant Accounting Policies*

**Nature of Operations**

The Convention Centre Corporation ("Corporation") was incorporated by special act under the laws of Manitoba to operate and promote the RBC Convention Centre (formerly named the Winnipeg Convention Centre). The Corporation is a not-for-profit organization and is therefore not subject to income taxes under section 149(1)(I). These financial statements are consolidated with the City of Winnipeg financial statements.

**Management's Responsibility for the Financial Statements**

The financial statements of the Corporation are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

**Basis of Accounting**

The Corporation's financial statements are prepared in accordance with Canadian public sector accounting standards in the CPA Public Sector Accounting Handbook. The Corporation has elected to apply the accounting standard recommendations applicable solely to government not-for-profit organizations in Sections PS 4200 to PS 4270 of the CPA Public Sector Accounting Handbook.

**Fund Method of Accounting**

***Operating Fund***

Under the fund method of accounting the excess of operating revenue over expenditures is allocated to the Operating Fund. Any additions to the Operating Fund may be transferred to the Restricted Fund for future expenditures or major repairs and replacements by Board of Directors resolution. It is the policy of the Corporation to retain a defined sufficient amount in the Operating Fund to fund future operations, and if necessary, to transfer funds from the Restricted Fund to meet the defined objective.

***Restricted Fund***

The Restricted Fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures or major repairs and replacements on capital assets or debt repayments. As capital assets are acquired or debt repayment is made, a like amount is transferred from the Restricted Fund to the Invested in Capital Assets Fund.

***Invested in Capital Assets Fund***

This fund represents the unamortized investment in capital assets net of amounts funded by grants and debentures. The Invested in Capital Asset Fund is reduced by the amortization of such assets.

*1. Nature of Operations and Summary of Significant Accounting Policies (continued)*

**Cash and Cash Equivalents**

Cash and cash equivalents consist of bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

**Inventory**

Food and beverage inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

**Capital Assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated at the following rates and basis:

| | |
|---|---|
| Art Holdings | not amortized |
| Expansion - building | 30 years straight-line basis |
| Expansion - equipment | 10 years straight-line basis |
| Expansion - IT equipment | 10 years straight-line basis |
| Major repair and replacement | 5 years straight-line basis |
| Roof replacement | 25 years straight-line basis |
| Wall cladding replacement and stabilization | 20 years straight-line basis |

When the Corporation recognizes that a capital asset no longer has any long-term service potential, the excess of net carrying amount of the capital asset over its residual value is recognized as an expense in the statement of operations.

**Revenue Recognition**

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

Operating revenue, which consists mainly of room rentals and food and beverage sales from events held at the RBC Convention Centre, are recognized as revenue when the events are held.

**Financial Instruments**

The Corporation applies the recommendations of Sections PS 4200, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CPA Public Sector Accounting Handbook.

*Initial Measurement*

The Corporation recognizes a financial asset or a financial liability on the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

## *1. Nature of Operations and Summary of Significant Accounting Policies (continued)*

**Financial Instruments (continued)**

The Corporation's financial instruments consist of cash and bank, accounts receivable, accounts payable and accrued liabilities, interest payable, due to Province of Manitoba, due to City of Winnipeg demand loan - expansion and long-term debt - expansion.

*Subsequent Measurement*

At each reporting date, the Corporation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets). The Corporation determines whether there is any objective evidence of impairment of the financial assets. Any financial asset impairment is recognized in the statement of operations.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

## *2. Tangible Capital Assets*

| | Cost | Accumulated Amortization | **2017 Net Book Value** | 2016 Net Book Value |
|---|---|---|---|---|
| Art holdings | $ 32,600 | $ - | **$ 32,600** | $ 32,600 |
| Expansion | | | | |
| Land | 7,130,880 | - | **7,130,880** | 7,130,880 |
| Building | 166,759,637 | 9,719,182 | **157,040,455** | 162,260,567 |
| Equipment | 5,538,426 | 969,534 | **4,568,892** | 5,126,858 |
| IT equipment | 3,148,652 | 530,775 | **2,617,877** | 2,662,895 |
| Major capital expenditures | 2,000,000 | 2,000,000 | **-** | - |
| Major repair and replacement | 15,444,769 | 13,553,261 | **1,891,508** | 1,522,704 |
| Revitalization program | | | | |
| City of Winnipeg | 3,000,000 | 3,000,000 | **-** | - |
| Province of Manitoba | 2,000,000 | 2,000,000 | **-** | - |
| Roof replacement | 3,140,880 | 806,151 | **2,334,729** | 2,460,364 |
| Wall cladding replacement | 6,599,175 | 4,971,929 | **1,627,246** | 1,957,205 |
| | $ 214,795,019 | $ 37,550,832 | **$ 177,244,187** | $ 183,154,073 |

## 2. *Tangible Capital Assets (continued)*

**Amortization Expenses**

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Expansion | | | | |
| Building | $ | **5,558,655** | $ | 4,160,527 |
| Equipment | | **553,843** | | 415,691 |
| IT equipment | | **314,865** | | 215,910 |
| Major repair and replacement | | **392,117** | | 288,641 |
| Roof replacement | | **125,635** | | 125,635 |
| Wall cladding replacement | | **329,959** | | 329,959 |
| | **$** | **7,275,074** | $ | 5,536,363 |

**Recognition of Deferred Contributions Related to Capital Assets**

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Expansion (Note 5) | **$** | **4,954,889** | $ | 3,716,167 |
| Roof replacement (Note 4) | | **125,635** | | 125,635 |
| Wall cladding replacement (Note 3) | | **329,959** | | 329,959 |
| | **$** | **5,410,483** | $ | 4,171,761 |

## 3. *Deferred Funding - Wall Cladding Replacement and Stabilization*

Deferred Funding - Wall Cladding Replacement and Stabilization represent restricted contributions from the City of Winnipeg and the Province of Manitoba for the replacement of the exterior tyndall stone cladding of the RBC Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project. This amount is being amortized into income as the related asset is amortized:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **1,957,205** | $ | 2,287,164 |
| Amount amortized to revenue | | **(329,959)** | | (329,959) |
| Balance, end of year | **$** | **1,627,246** | $ | 1,957,205 |

## 4. *Deferred Funding - Roof Replacement*

Deferred Funding - Roof Replacement represents restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the roof replacement of the roof of the RBC Convention Centre. Pursuant to a funding agreement dated August 4, 2011, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project. This amount is being amortized into income as the related asset is amortized:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **2,460,364** | $ | 2,585,999 |
| Amount amortized to revenue | | **(125,635)** | | (125,635) |
| Balance, end of year | **$** | **2,334,729** | $ | 2,460,364 |

## 5. *Deferred Funding - Expansion*

In order to finance the cost of the expansion, the Corporation entered into agreements with the City of Winnipeg for funding of up to $51,000,000, the Province of Manitoba for funding of up to $51,000,000, and the Government of Canada for funding of up to $46,646,667 (total of $148,646,667).

The funding received was deferred until the completion of the project and is amortized on the same basis as the related asset. Deferred funding - expansion at December 31 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 144,930,500** | $ 148,646,667 |
| Amount amortized to revenue | **(4,954,889)** | (3,716,167) |
| Balance, end of year | **$ 139,975,611** | $ 144,930,500 |

## 6. *Demand Loan - Expansion*

On January 11, 2013, the Corporation entered into a credit agreement of $33,000,000 in order to fund its portion of the future expansion costs. Effective May 31, 2016, the Corporation revised this credit to $16,000,000. The remaining $17,000,000 was converted to a term loan (Note 8). This financing can be taken as a risk based pricing loan or fixed rate term loan. These funds can be accessed by the Corporation at any time, with the interest rate to be determined at the time funds are withdrawn. This expansion financing is secured by a promissory note signed by the Corporation for $16,000,000, a general security agreement, and a guarantee from the City of Winnipeg. In 2016, the Corporation accessed these funds in the form of a demand loan credit facility, bearing interest at the RBC prime rate minus 1% (2.2% as at December 31, 2017), maturing December 31, 2019. The balance drawn against this credit agreement at year-end is $7,400,000 ($5,000,000 in 2016).

## 7. *Demand Operating Loan*

The Corporation has a demand operating loan credit facility from the Royal Bank of Canada of $250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2017 and December 31, 2016 is nil.

## 8. *Long-term Debt -Expansion*

| | **2017** | 2016 |
|---|---|---|
| RBC Life Insurance Company<br>Term loan repayable by consecutive, annual blended payments of principal and interest of $987,892 bearing interest at 4.04%, with maturity date of March 31, 2046. This loan is secured by the City of Winnipeg with a guarantee of $17,000,000. | **$ 16,698,908** | $ 17,000,000 |
| Less current portion | **(313,256)** | (301,092) |
| | **$ 16,385,652** | $ 16,698,908 |

### *8. Long-term Debt -Expansion (continued)*

Principal payments for the next five years and thereafter are as follows:

| | | |
|---|---|---|
| 2018 | $ | 313,256 |
| 2019 | | 325,912 |
| 2020 | | 339,078 |
| 2021 | | 352,777 |
| 2022 | | 367,029 |
| Thereafter | | 15,000,856 |
| | $ | 16,698,908 |

### *9. Due to Province of Manitoba*

Pursuant to an agreement made in 2012, the Province of Manitoba sold land to the City of Winnipeg, for the purpose of the expansion of the RBC Convention Centre. The City of Winnipeg is the registered owner of the land. However, the RBC Convention Centre, as the beneficial owner of the land, agreed to pay the $7,000,000 purchase price to the Province of Manitoba. The balance is non-interest bearing and repayable over five years commencing in 2015.

Repayments over the next two years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 1,400,000 |
| 2019 | | 1,400,000 |
| | $ | 2,800,000 |

### *10. Due to the City of Winnipeg*

Balance due to the City of Winnipeg is non-interest bearing and due on demand.

### *11. Inter-fund Loan*

The balance in the inter-fund loan from the Operating Fund to Invested in Capital Assets Fund at December 31, 2017 is $3,148,314 ($3,157,554 in 2016). This loan is non-interest bearing and will be repaid as funds are drawn from the credit facility available for the expansion.

### *12. Invested in Capital Assets*

| | 2017 | 2016 |
|---|---|---|
| Capital assets | **$ 177,244,187** | $ 183,154,073 |
| Amounts financed by: | | |
| Deferred funding - expansion | **(139,975,611)** | (144,930,500) |
| Deferred funding - roof replacement | **(2,334,729)** | (2,460,364) |
| Deferred funding - wall cladding | **(1,627,246)** | (1,957,205) |
| Demand loan - expansion | **(7,400,000)** | (5,000,000) |
| Due to City of Winnipeg | **(3,730,979)** | (3,750,000) |
| Due to Province of Manitoba | **(2,800,000)** | (4,200,000) |
| Inter-fund loan from operating fund (Note 11) | **(3,148,314)** | (3,157,554) |
| Interest advance | **-** | 114,469 |
| Interest payable | **(505,977)** | (515,100) |
| Long-term debt - expansion | **(16,698,908)** | (17,000,000) |
| | **$ (977,577)** | $ 297,819 |

| | 2017 | 2016 |
|---|---|---|
| **Changes in Net Assets Invested in Capital Assets** | | |
| Deficiency of revenue over expenses | **$ (2,640,583)** | $ (1,872,789) |
| Purchase of capital assets - expansion, net of prepaids | **604,267** | 6,205,634 |
| Purchase of capital assets - non-expansion | **760,921** | 632,368 |
| Due to City of Winnipeg | **19,021** | (3,750,000) |
| Due to Province of Manitoba | **1,400,000** | 1,400,000 |
| Demand loan - expansion | **(2,400,000)** | 13,900,000 |
| Long-term debt - expansion | **971,740** | (17,000,000) |
| Inter-fund loan from operating fund for expansion purchases | **9,238** | (428,973) |
| | **$ (1,275,396)** | $ (913,760) |

### *13. Grants*

The Corporation operates with the assistance of grants from the City of Winnipeg and the Province of Manitoba. These grants are allocated to general operating grants.

| | 2017 | 2016 |
|---|---|---|
| City of Winnipeg | **$ 1,500,000** | $ 1,500,000 |
| Province of Manitoba | **1,265,400** | 1,406,000 |
| | **$ 2,765,400** | $ 2,906,000 |

### *14. Related Party Transactions*

In addition to the grants and contributions received from the City of Winnipeg and the Province of Manitoba (Notes 3, 4, 5, 6, 7 and 13), the payable to the Province of Manitoba (Note 9), and the payable to the City of Winnipeg (Note 10), the Corporation had the following transactions with these related parties during the year. Operating revenues of $382,839 ($368,686 in 2016) related to events held at the RBC Convention Centre.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### *15. Financial Instruments Risk Disclosures*

The Corporation is exposed to various financial risks resulting from its operating, investing and financing activities. The Corporation's management manages financial risks.
During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The means used by the Corporation to manage each of the financial risks are described in the following paragraphs.

**Credit risk**

The Corporation is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Corporation has determined that the financial assets with more credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Corporation. The trade and other receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Corporation's exposure to doubtful accounts is not significant. The credit risk regarding cash and cash equivalents is considered to be negligible because they are held by reputable financial institutions with an investment grade external credit rating.

The carrying amount on the statement of financial position of the Corporation's financial assets exposed to credit risk represents the maximum amount exposed to credit risk. The Corporation's management considers that all the above-noted financial assets that are not impaired or past due are of good credit quality. None of the Corporation's financial assets are secured by a collateral instrument or other form of credit enhancement. There are no impaired financial assets or significant past due amounts as at December 31, 2017 and December 31, 2016 with the exception of an allowance for doubtful accounts of $2,904 ($7,246 in 2016).

**Market risk**

The Corporation's financial instruments expose it to market risk, in particular, interest rate risk.

**Interest rate risk**

The Corporation is exposed to interest rate risk with respect to financial liabilities bearing fixed and variable interest rates. The long-term debt - expansion bears interest at a fixed rate and the Corporation is, therefore, subject to fair value risk. The demand loan - expansion bears interest at a floating-rate which subjects the Corporation to a cash flow risk. The Corporation is not exposed to significant currency or other price risk.

### *15. Financial Instruments Risk Disclosures (continued)*

**Liquidity risk**

The Corporation's liquidity risk represents the risk that the Corporation could encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation is, therefore exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Corporation has financing sources for a sufficient authorized amount. The Corporation establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

As at December 31, 2017, the Corporation's contractual maturities for financial liabilities (including any interest payments) are as follows:

| | Due within One Year | Due in One to Five Years |
|---|---|---|
| Accounts payable and accrued liabilities | $ 2,847,360 | $ - |
| Demand loan - expansion | 7,400,000 | - |
| Interest payable | 505,977 | - |
| Long-term debt - expansion | 313,256 | 1,384,797 |
| Due to City of Winnipeg | 3,730,979 | - |
| Due to Province of Manitoba | 1,400,000 | 1,400,000 |
| | $ 16,197,572 | $ 2,784,797 |

### *16. Comparison to Budgeted Results*

| | **Actual** | Budget (Unaudited) | Variance |
|---|---|---|---|
| Operating revenue | **$ 17,827,679** | $ 16,249,951 | $ 1,577,728 |
| Operating costs | **7,985,764** | 7,723,420 | 262,344 |
| Net operating revenue | **9,841,915** | 8,526,531 | 1,315,384 |
| General operating grants | **2,765,400** | 2,906,000 | (140,600) |
| | **12,607,315** | 11,432,531 | 1,174,784 |
| Expenditures | **12,005,759** | 11,557,696 | 448,063 |
| Net income (loss) from operations | **601,556** | (125,165) | 726,721 |
| Capital asset additions included in expenditures above | **545,266** | - | 545,266 |
| Operating fund excess of revenue over expenses | **$ 1,146,822** | $ (125,165) | $ 1,271,987 |

## 17. Commitments

The Corporation has entered into various contracts and other commitments that expire at different periods between 2022 and 2025. Future minimum payments in aggregate for each of the next five years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 2,068,782 |
| 2019 | | 2,098,458 |
| 2020 | | 2,131,519 |
| 2021 | | 2,173,857 |
| 2022 | | 1,561,553 |

## 18. Pension Plan

The employees of the Corporation are members of the City of Winnipeg Civic Employees Defined Benefit Pension Plan. The Corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg. Total cash payments by the Corporation for employee future benefits for fiscal year end 2017 were $564,575 ($556,380 in 2016)

## 19. Economic Dependency

The Corporation is dependent on the City of Winnipeg and the Province of Manitoba for funding and financing which is essential to its continuing operations.

## 20. Change in Accounting Policy

Effective January 1, 2017 the Corporation has early adopted new Public Sector Accounting Handbook Standard PS 3380 Contractual Rights. The standard defines and established disclosure standards on contractual rights. This change in accounting policy has been applied prospectively, There is no impact of adoption of this standard in the financial statements.

Photo: Ian Carter, courtesy Tourism Winnipeg

# WINNIPEG ENTERPRISES CORPORATION

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(unaudited)*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Cash | **$** | **56** | $ | 56 |
| Accounts receivable (Note 3) | | **-** | | 1,247,479 |
| | **$** | **56** | $ | 1,247,535 |
| ***LIABILITIES*** | | | | |
| Accounts Payable | **$** | **-** | $ | 709 |
| Due to City of Winnipeg - General Revenue Fund (Note 4) | | **56** | | 984,998 |
| | | **56** | | 985,707 |
| ***NET ASSETS*** | | **-** | | 261,828 |
| | **$** | **56** | $ | 1,247,535 |

*See accompanying notes to the financial statements*

## WINNIPEG ENTERPRISES CORPORATION

### STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

*For the years ended December 31*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| ***REVENUES*** | | |
| Interest (Note 3) | **$ 52,964** | $ 60,556 |
| ***EXPENSES*** | | |
| Transfer to General Revenue Fund | **308,838** | - |
| Interest on debt and other finance charges | **5,954** | 5,400 |
| Professional fees | **-** | 709 |
| | **314,792** | 6,109 |
| ***SURPLUS (DEFICIT) FROM OPERATIONS*** | **(261,828)** | 54,447 |
| ***NET ASSETS - BEGINNING OF YEAR*** | **261,828** | 207,381 |
| ***NET ASSETS - END OF YEAR*** | **$ -** | $ 261,828 |

*See accompanying notes to the financial statements*

# WINNIPEG ENTERPRISES CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*
*(unaudited)*

### 1. *Entity Definition and Wind-Up of Operations*

Winnipeg Enterprises Corporation ("the Corporation") is a not-for-profit organization established by the Winnipeg Enterprises Corporation Incorporation Act on July 26, 1952 under the laws of the Province of Manitoba. As at March 31, 2005, the Corporation has wound-down its operations and is being managed by The City of Winnipeg ("the City"), its sole director. The City has assumed all remaining and prospective debt and liabilities of the Corporation.

On December 12, 2017 City Council approved the closure of the Winnipeg Enterprises Fund in conjunction with the adoption of the 2018 operating and capital budget. Therefore effective January 1, 2018 the Winnipeg Enterprises Fund was wound-up.

### 2. *Significant Accounting Policies*

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the creation of a legal obligation to pay.

**Financial instruments**

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

**Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

### 3. *Entertainment Funding Tax - Winnipeg Football Club*

On May 18, 2005, City Council approved the amendment to the Canad Inns Stadium lease with the Corporation. The amendment included a provision which allows the City to use the entertainment funding tax, which relates to one pre-season game and nine regular season games, to first repay the remaining amount invested by the Corporation in the Winnipeg Football Club ("WFC") by way of income debentures totaling $1,194,000. This has been repaid in its entirety. Thereafter, this entertainment funding tax will be used to reduce the debt in the Corporation associated with WFC, which totaled approximately $3,265,244 as at December 31, 2004. The unamortized amount of this debt, based on an interest rate of 5% net of the entertainment funding tax applied against the debt, as at December 31, 2017 is $ nil (2016 - $1,247,479).

### *3. Entertainment Funding Tax - Winnipeg Football Club (continued)*

On December 15, 2010, City Council approved an amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba. All the entertainment funding tax remitted to the City in relation to the new Stadium will be used to repay this debt. Once the debt has been repaid, the entertainment funding tax on regular season and exhibition Blue Bomber football games will be used as follows:

- The first $2.0 million shall be paid by WFC to BBB Stadium Inc. ("BBB") to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
- The next $0.5 million shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund; and
- The balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

On December 12, 2012, City Council approved the request by the WFC to defer and retain future entertainment funding tax payments commencing in 2012 for five years. On October 31, 2017, the outstanding amount totaling $1,300,443, which includes principle and accrued interest, was paid in full.

### *4. Due to City of Winnipeg - General Revenue Fund*

The City operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2017 effective interest rate was 0.85% (2016 - 0.35%).

# CENTREVENTURE DEVELOPMENT CORPORATION
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*December 31, 2017, with comparative information for 2016*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current Assets | | |
| Restricted cash (Note 3) | **$ 1,426,013** | $ 1,428,193 |
| Accounts receivable (Note 4) | **2,087,601** | 548,655 |
| Prepaid expenses | **3,241** | 4,011 |
| Property held for resale (Note 5) | **336,700** | - |
| Current portion of mortgages receivable (Note 6) | **3,937,339** | 4,331,059 |
| Current portion of loans receivable (Note 7) | **2,294,391** | 804,948 |
| Current portion of SHED project receivable (Note 8) | **746,384** | 746,384 |
| | **10,831,669** | 7,863,250 |
| Mortgages receivable (Note 6) | **1,575,573** | 1,610,436 |
| Loans receivable (Note 7) | **-** | 2,955,976 |
| SHED project receivable (Note 8) | **4,817,326** | 5,262,550 |
| Investment in hotel properties (Note 9) | **7,763,373** | 7,763,373 |
| Capital assets (Note 10) | **6,268,816** | 4,857,052 |
| | **$ 31,256,757** | $ 30,312,637 |
| ***LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS*** | | |
| Current Liabilities | | |
| Bank indebtedness (Note 11) | **$ 3,776,880** | $ 3,112,170 |
| Accounts payable and accrued liabilities | **551,374** | 420,699 |
| Payable to CCC Properties Inc. (Note 9) | **3,774,501** | 3,774,501 |
| Payable to STR Properties Inc. (Note 9) | **3,932,935** | 3,932,935 |
| Current portion of long-term debt (Note 12) | **637,151** | 612,155 |
| | **12,672,841** | 11,852,460 |
| Long-term debt (Note 12) | **7,961,471** | 8,596,725 |
| Forgivable loans (Note 13) | **3,065,945** | 3,418,492 |
| Deferred contributions (Note 14) | | |
| Expenses of future periods | **1,699,257** | 871,875 |
| Capital assets | **819,552** | 677,032 |
| | **2,518,809** | 1,548,907 |
| ***NET ASSETS*** | | |
| Invested in capital assets (Note 16) | **2,383,319** | 761,528 |
| Unrestricted | **2,654,372** | 4,134,525 |
| | **5,037,691** | 4,896,053 |
| Commitments (Note 15) | | |
| | **$ 31,256,757** | $ 30,312,637 |

*See accompanying notes to consolidated financial statements.*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS

*Year ended December 31, 2017, with comparative information for 2016*

| | 2017 Total | 2016 Total |
|---|---|---|
| ***Revenue*** | | |
| Operational grant (Note 17) | $ **600,000** | $ 600,000 |
| Rental properties (Note 17) | **403,476** | 410,744 |
| Interest | **387,510** | 371,671 |
| SHED project (Note 17) | **301,158** | 788,154 |
| Designated grants (Note 9 and 14) | **280,681** | 374,273 |
| Commissions | **109,363** | 5,500 |
| Loss from investment in hotel properties (Note 9) | **-** | (279,785) |
| Gain on sale of property held for resale (Note 5) | **-** | 202,420 |
| Other | **4,175** | 30,008 |
| | **2,086,363** | 2,502,985 |
| ***Expenditures*** | | |
| General operations | **825,663** | 838,265 |
| Rental properties | **313,131** | 328,725 |
| SHED project expenditures | **301,158** | 788,154 |
| Grants | **280,681** | 86,473 |
| Projects | **162,743** | 187,037 |
| Bad debt | **-** | 39,000 |
| | **1,883,376** | 2,267,654 |
| **Excess of revenue over expenditures before the undernoted** | $ **202,987** | $ 235,331 |
| Amortization | **271,376** | 300,676 |
| Amortization of deferred contribution (Note 14) | **(210,027)** | (210,027) |
| **Excess of revenue over expenditures for the year** | $ **141,638** | $ 144,682 |

*See accompanying notes to consolidated financial statements.*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31, 2017, with comparative information for 2016*

| | Invested in Capital Assets | Unrestricted | Total |
|---|---|---|---|
| Balance, January 1, 2016 | $ 846,229 | $ 3,905,142 | $ 4,751,371 |
| Excess (deficiency) of revenue over expenditures | (90,649) | 235,331 | 144,682 |
| Transfer for purchase of capital assets (Note 16) | 5,948 | (5,948) | - |
| **Balance, December 31, 2016** | **761,528** | **4,134,525** | **4,896,053** |
| **Excess (deficiency) of revenue over expenditures** | **(61,349)** | **202,987** | **141,638** |
| **Transfer for purchase of capital assets (Note 16)** | **1,683,140** | **(1,683,140)** | **-** |
| **Balance, December 31, 2017** | **$ 2,383,319** | **$ 2,654,372** | **$ 5,037,691** |

*See accompanying notes to consolidated financial statements.*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended December 31, 2017, with comparative information for 2016*

| | 2017 | 2016 |
|---|---|---|
| *Cash provided by (used in):* | | |
| ***OPERATING ACTIVITIES:*** | | |
| Excess of revenue over expenditures | **$ 141,638** | $ 144,682 |
| Adjustments for: | | |
| Amortization of capital assets | **271,376** | 300,676 |
| Amortization of deferred contributions | **(210,027)** | (210,027) |
| Loss from investment in hotel properties | **-** | 279,785 |
| Gain on sale of property held for resale | **-** | (202,420) |
| Bad debt | **-** | 39,000 |
| | **202,987** | 351,696 |
| Changes in non-cash working capital balances: | | |
| Restricted cash | **2,180** | 85,121 |
| Accounts receivable | **(1,538,946)** | 575,610 |
| Prepaid expenses | **770** | - |
| Accounts payable and accrued liabilities | **130,675** | (16,887) |
| Increase (decrease) in deferred contributions related to expenses of future periods | **827,382** | 151,527 |
| | **(374,952)** | 1,147,067 |
| ***CAPITAL ACTIVITIES:*** | | |
| Purchase of capital assets | **(1,683,140)** | (5,948) |
| Purchase of property held for resale | **(336,700)** | - |
| Proceed from sale of property held for resale | **-** | 999,190 |
| | **(2,019,840)** | 993,242 |
| ***INVESTING ACTIVITIES:*** | | |
| Advances of mortgages receivable | **-** | (752,594) |
| Principal repaid on mortgages receivable | **428,583** | 540,220 |
| Advances of loans receivable | **-** | (791,618) |
| Principal repaid on loans receivable | **1,466,533** | 1,813,511 |
| Principal repaid on SHED project receivable | **445,224** | 329,566 |
| | **2,340,340** | 1,139,085 |
| ***FINANCING ACTIVITIES:*** | | |
| Change in bank indebtedness | **664,710** | (6,467,040) |
| Payable to CCC Properties Inc. | **-** | 3,774,501 |
| Repayment of long-term debt | **(610,258)** | (586,855) |
| | **54,452** | (3,279,394) |
| **Cash, being cash, beginning and end of year** | **$ -** | $ - |

*See accompanying notes to consolidated financial statements.*

### *1. General*

CentreVenture Development Corporation (the Corporation) is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba (the Province) on July 9, 1999. The goal of the Corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of The City of Winnipeg (the City). The Corporation is exempt from income tax by virtue of p. 149(1)(e) of the *Income Tax Act.*

### *2. Significant accounting policies*

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

a) Basis of consolidation:

These consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries Centre Village Housing Inc. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

The Corporation has a 100% (2016 - 100%) investment in STR Properties Inc. and CCC Properties Inc. which are profit-oriented enterprises. The Corporation accounts for its investment in these entities using the modified equity method. Under this method, the accounting principles of the entities are not adjusted to conform with those of the Corporation and inter-company transactions are not eliminated.

b) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

c) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgage and loan agreements and when collection is reasonably assured. Reasonable assurance is based upon the Corporation’s past experience with its claims and collections associated with clients and similar transactions.

## 2. *Significant accounting policies (continued)*

c) Revenue recognition (continued):

Sale proceeds on properties and the related costs of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the Corporation's past experience with its claims and collections associated with clients and similar transactions. A transaction fee is levied by the Corporation on these sales.

d) Special projects - restricted funding arrangements:

In addition to regular operating revenues, the Corporation receives grants from time to time for specific programs or initiatives to be administered by the Corporation. The following special funding arrangements were ongoing during the year:

*Province of Manitoba - North Main Economic Development Program Grant:*

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

*City of Winnipeg - Downtown Housing Strategy:*

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

*City of Winnipeg - Gail Parvin Hammerquist:*

The purpose of this grant is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

*City of Winnipeg/Province of Manitoba - Downtown Residential Development Program (DRDG):*

The purpose of this program is to promote and support significant improvement projects to revitalize communities and neighborhoods, encourage economic development, enhance social and cultural development, and preserve heritage properties. The Corporation provides administration and other services to the City for this program.

*City of Winnipeg/Province of Manitoba-East Waterfront Neighborhood Development Program (EWND):*

The purpose of this program is to undertake initiatives, such as marketing, safety programs, beautification, amenity attraction etc. that to enhance the Exchange Waterfront neighborhood where clusters of residential development are occurring. The public investment is being made to attract private sector investment and protect existing investments that has been made by individuals and business owners who want to live and work in a vibrant complete community.

*City of Winnipeg/Province of Manitoba - Sports, Hospitality, and Entertainment District (SHED) Project:*

The purpose of this program is to make the SHED a key destination downtown, by providing funds to the Corporation to stimulate private and public investment in the District, with the goal of revitalizing Winnipeg's downtown.

## 2. *Significant accounting policies (continued)*

d) Special projects - restricted funding arrangements (continued):

*City of Winnipeg - Homelessness Partnering Strategy:*

The purpose of this grant is to fund renovations at the Bell Hotel whose goal is to provide affordable housing to individuals who have experienced extended periods of homelessness.

e) Mortgages and loans receivable:

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the amount is received.

f) Allowance for doubtful loans:

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the Corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income and is reduced by write-offs.

g) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis in accordance with the following estimated useful life of the asset:

| **Asset** | **Term** |
|---|---|
| Buildings | 25 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 3 to 15 years |

Property held for development is recorded at cost and is not amortized until the assets is available for productive use.

h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimated as additional information becomes available in the future.

## 3. *Restricted cash*

The cash held by the Corporation is restricted for the SHED project.

### 4. *Accounts receivable*

| | 2017 | 2016 |
|---|---|---|
| Trade and other receivable | **$ 400,091** | $ 548,655 |
| Grants receivable - the City | **1,687,510** | - |
| | **$ 2,087,601** | $ 548,655 |

### 5. *Property held for resale*

Under the asset agreement between the Corporation and the City, the Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price. The land inventory available under the asset agreement has been substantially depleted.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost. In 2016, the Corporation sold the property held for resale for $1,000,000 resulting in a gain on sale of $202,420. During the year ended December 31, 2017, the Corporation acquired one property for $336,700 which the Corporation has intends to resell.

### 6. *Mortgages receivable*

| | 2017 | 2016 |
|---|---|---|
| Mortgages receivable | **$ 5,453,494** | $ 5,938,887 |
| Accrued interest receivable | **79,418** | 22,608 |
| Allowance for doubtful loans | **(20,000)** | (20,000) |
| | **5,512,912** | 5,941,495 |
| Current portion of mortgages receivable | **3,937,339** | 4,331,059 |
| | **$ 1,575,573** | $ 1,610,436 |

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 25 years, monthly installments applied to interest first, compounded semi-annually not in advance. Mortgages receivable are secured by recourse to the related underlying property, personal and corporate guarantees, and other forms of security except for $1,646,432 (2016 - $1,849,424) for which the City funds principal and interest payments and has provided a guarantee on the related term loan payable that the Corporation had obtained to providing financing for the mortgage (Note 12). Interest rates charged for mortgages range from 4.0 % to 8.0% (2016 - 4.0% to 8.0%) and are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement.

### *6. Mortgages receivable (continued)*

Mortgage principal receipts are expected as follows:

| | | |
|---|---|---|
| 2018 | $ | 3,937,339 |
| 2019 | | 177,890 |
| 2020 | | 185,841 |
| 2021 | | 194,148 |
| 2022 | | 202,827 |
| Thereafter | | 755,449 |
| | $ | 5,453,494 |

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2018.

### *7. Loans receivable*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Loans receivable | **$** | **2,240,707** | $ | 3,888,808 |
| Accrued interest receivable | | **53,684** | | 16,116 |
| Allowance for doubtful loans | | **-** | | (144,000) |
| | | **2,294,391** | | 3,760,924 |
| Current portion of loans receivable | | **2,294,391** | | 804,948 |
| | **$** | **-** | $ | 2,955,976 |

Loans receivable at December 31, 2017 are repayable during fiscal 2018. Loans receivable are secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 5.0% to 8.5% (2016 - 5.0% to 8.5%), are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement and are payable in monthly instalments.

### *8. SHED project receivable*

The SHED project is funded by the City and Province and with grants provided under the project to make the SHED a key destination downtown with the goal of revitalizing Winnipeg's downtown. Under the terms of the agreement, the Corporation has obtained proceeds from term loans aggregating $8,290,000 (Note 12) to utilize for grants in accordance with Phase 1 of the SHED project. As grants are expended by the Corporation a SHED project receivable from the City and Province is recognized for an equivalent amount. The City and Province provide annual funding to the Corporation equivalent to the annual debt servicing cost of the term loans.

SHED project principal receipts are expected as follows:

| | | |
|---|---|---|
| 2018 | $ | 746,384 |
| 2019 | | 746,384 |
| 2020 | | 746,384 |
| 2021 | | 746,384 |
| 2022 | | 746,384 |
| Thereafter | | 1,831,790 |
| | $ | 5,563,710 |

### 9. *Investment in hotel properties*

The Corporation has an 100% (2016 - 100%) interest in STR Properties Inc. which owned the St. Regis property. The Corporation acquired the remaining 11 % interest on January 1, 2016 for $715,000 through consideration from a $715,000 loan receivable held by the Corporation with the seller.

STR Properties Inc. disposed of the St. Regis property during fiscal 2015 for $4,650,000 with cash consideration of $1,650,000 received and the Corporation provided a mortgage for the remaining $3,000,000. In 2017, the Corporation approved a 12-month extension on the maturity of the mortgage which now matures in fiscal 2018 (Note 6). In conjunction with the disposition of the property, the Corporation had received an urban development initiatives grant of $2,590,200 in fiscal 2015 from the Province. The Corporation received a further $287,800 during fiscal 2016 from the Province upon acquisition of the remaining 11% interest in STR Properties Inc. Offsetting this revenue, the Corporation had a loss from its investments in STR Properties Inc. of $279,785 during the year ended December 31, 2016.

The Corporation has a 100% (2016 - 100%) interest in CCC Properties Inc. which included interest in the land and building comprising the Carlton Inn. The Corporation acquired the remaining 11% interest on January 1, 2016 for $770,000 through consideration from a $770,000 loan receivable held by the Corporation with the seller.

The Carlton Inn had been previously demolished by CCC Properties Inc. During fiscal 2016, CCC Properties Inc. disposed of the land for cash consideration of $4,100,000.

At December 31, 2017, the Corporation has a payable to STR Properties Inc. of $3,932,935 (2016 - $3,932,935) and a payable to CCC Properties Inc. of $3,774,501 (2016-$3,774,501) which are non-interest bearing, unsecured have no specified terms of repayment.

These businesses were acquired as part of the Corporation's mission to revitalize downtown Winnipeg. Summary financial information of the entities is as follows:

| | **STR Properties** | **CCC Properties Inc.** |
|---|---|---|
| Current assets | **$ 46,690** | **$ 28,159** |
| Long-term assets | **3,918,951** | **3,773,582** |
| Total assets | **$ 3,965,641** | **$ 3,801,741** |
| Current liabilities | **$ 4,242** | **$ -** |
| Equity | **3,961,399** | **3,801,741** |
| Total equity and liabilities | **$ 3,965,641** | **$ 3,801,741** |
| Revenues | **$ -** | **$ -** |
| Expenses | **-** | **-** |
| Loss for the year | **$ -** | **$ -** |

## *10. Capital assets*

| | Cost | Accumulated Amortization | 2017 Net Book Value | 2016 Net Book Value |
|---|---|---|---|---|
| Buildings | $ 6,140,734 | $ 1,724,607 | $ 4,416,127 | $ 4,652,137 |
| Computer equipment | 136,010 | 132,115 | 3,895 | 4,956 |
| Furniture and fixtures | 67,100 | 66,596 | 504 | 5,354 |
| Leasehold improvements | 575,219 | 406,929 | 168,290 | 194,605 |
| Properties held for development | 1,680,000 | - | 1,680,000 | - |
| | $ 8,599,063 | $ 2,330,247 | $ 6,268,816 | $ 4,857,052 |

## *11. Bank indebtedness*

| | 2017 | 2016 |
|---|---|---|
| Cheques issued in excess of cash on hand | $ 2,059,534 | $ 67,873 |
| Line of credit | 1,717,346 | 3,044,297 |
| | $ 3,776,880 | $ 3,112,170 |

The Corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $10,400,000 (2016 - $10,400,000). The line of credit bears interest at Royal Bank prime rate minus 1.0% (2.20% as at December 31, 2017) per annum and is secured by an unconditional and irrevocable guarantee signed by the City in the amount of $10,400,000 and a general security agreement on all personal property of the Corporation.

## *12. Long-term debt*

| | 2017 | 2016 |
|---|---|---|
| Term loan, interest at 4.47%, due October 2025, blended annual payments of $241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City in the amount of $2,600,000 | $ 1,595,500 | $ 1,758,492 |
| Term loan, interest at 3.98%, due October 2029, blended annual payments of $349,338, secured by guarantee signed by the City in the amount of $3,890,000 | 3,287,642 | 3,497,074 |
| Term loan, interest at 3.91%, due October 2029, blended annual payments of $393,254, secured by a guarantee signed by the City in the amount of $4,400,000 | 3,715,480 | 3,953,314 |
| | 8,598,622 | 9,208,880 |
| Current portion of long-term debt | 637,151 | 612,155 |
| | $ 7,961,471 | $ 8,596,725 |

## 12. *Long-term debt (continued)*

Principal repayments for the next five years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 637,151 |
| 2019 | | 663,169 |
| 2020 | | 689,603 |
| 2021 | | 718,425 |
| 2022 | | 747,776 |
| Thereafter | | 5,142,498 |
| | $ | 8,598,622 |

Proceeds from the 4.47% term loan were utilized by the Corporation to provide a 15 year mortgage receivable to Youth Centre of Excellence project at 333 King Street (Note 6). The Corporation receives annual principal and interest payments for the Youth Centre of Excellence mortgage receivable from the City.

The 3.98% and 3.91% term loans were incurred to finance phase 1 of the SHED project under the Strategic Downtown Investments Funding Agreement. In accordance with the SHED agreement, the City and the Province provide annual funding to the Corporation equivalent to the annual debt servicing costs of these loans (Note 8).

## 13. *Forgivable loans*

The details of forgivable loans are as follows:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Bell Hotel | | | | |
| Province of Manitoba 15 year term loan, with maturity date set at August 1, 2026, payments are not required as long as the property operates as an affordable housing complex | **$** | **1,470,555** | $ | 1,630,555 |
| Government of Canada 15 year term loan, with maturity date set at August 1, 2026, payments are not required as long as the property offers services for the homeless approved by the Government of Canada | | **1,595,390** | | 1,787,937 |
| | **$** | **3,065,945** | $ | 3,418,492 |

The five year forgiveness schedule for the forgivable loans is as follows:

| | | |
|---|---|---|
| 2018 | $ | 352,547 |
| 2019 | | 352,547 |
| 2020 | | 352,547 |
| 2021 | | 352,547 |
| 2022 | | 352,547 |
| Thereafter | | 1,303,210 |
| | $ | 3,065,945 |

At December 31, 2017, the Corporation has met all requirements during the year relating to the terms of the forgivable loans.

## 14. *Deferred contributions*

a) Expenses of future periods:

Deferred contributions related to expenses of future periods represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 871,875** | $ 720,348 |
| Grants received | **20,553** | 238,000 |
| Grants receivable | **1,087,510** | - |
| Amounts recognized as revenue in the year | **(280,681)** | (86,473) |
| Balance, end of year | **$ 1,699,257** | $ 871,875 |

Deferred grant revenue is related to the following projects:

| | **2017** | 2016 |
|---|---|---|
| Gail Parvin Hammerquist 2009 | **$ 598,103** | $ 668,103 |
| Gail Parvin Hammerquist 2014 | **1,087,510** | - |
| North Main Economic Development Program Grant | **2,600** | 2,600 |
| Province of Manitoba - Downtown Winnipeg ground floor activation strategy grant | **11,044** | 201,172 |
| | **$ 1,699,257** | $ 871,875 |

b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 677,032** | $ 534,512 |
| Contributions transferred from forgivable loans | **352,547** | 352,547 |
| Amount amortized to revenue in the year | **(210,027)** | (210,027) |
| Balance, end of year | **$ 819,552** | $ 677,032 |

## 15. *Commitments*

The Corporation has made commitments for leases with minimum annual lease payments as follows:

| | |
|---|---|
| 2018 | $ 34,015 |
| 2019 | 41,892 |
| 2020 | 41,892 |
| 2021 | 41,892 |
| 2022 | 41,892 |

## 16. *Invested in capital assets*

Investment in capital assets is calculated as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Capital assets | **$** | **6,268,816** | $ | 4,857,052 |
| Forgivable loans | | **(3,065,945)** | | (3,418,492) |
| Deferred contributions | | **(819,552)** | | (677,032) |
| | **$** | **2,383,319** | $ | 761,528 |

Change in net assets invested in capital assets is calculated as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Deficiency of revenue over expenditures: | | | | |
| Amortization of deferred contributions | **$** | **210,027** | $ | 210,027 |
| Amortization of capital assets | | **(271,376)** | | (300,676) |
| | **$** | **(61,349)** | $ | (90,649) |
| Purchase of capital assets | **$** | **1,683,140** | $ | 5,948 |
| | **$** | **1,621,791** | $ | (84,701) |

## 17. *Related party transactions and balances*

The following table summarized the Corporation's related party transactions and balances with the City of Winnipeg for the year:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Consolidated statement of operations** | | | | |
| Revenue: | | | | |
| Operational grant | **$** | **600,000** | $ | 600,000 |
| Homelessness Partnering Project grant | | **30,279** | | 30,279 |
| SHED project grant | | **150,579** | | 394,077 |
| Expenditures: | | | | |
| Property taxes | **$** | **68,832** | $ | 66,436 |
| **Consolidated statement of financial position** | | | | |
| Accounts receivable | **$** | **1,875,282** | $ | 351,016 |
| Mortgages receivable | | **1,646,432** | | 1,849,424 |
| Loan receivable | | **391,537** | | 391,537 |
| SHED project receivable | | **2,781,855** | | 3,004,467 |
| Accounts payable and accrued liabilities | | **301,811** | | 287,439 |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### *18. Financial instrument risks*

General objectives, policies and processes:

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Corporation's President and Chief Executive Officer. The Board of Directors receives monthly reports from the Corporation's President and Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest rate risk:

The Corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its mortgages and loans receivable, and long term debt. The Corporation's objective is to minimize interest rate risk by locking in fixed rates on its mortgages and loans receivable, and its long-term debt.

The Corporation is exposed to interest rate risk through its line of credit, which bears interest at prime minus one percent. These funds are used as interim financing until permanent financing, with a fixed rate, can be put in place.

The Corporation's financial instruments subject to interest rate risk are subject to fixed rates of interest and will not be renewed within the next twelve months, therefore are not subject to interest rate risk. The line of credit is not subject to interest rate risk as it is as a market rate and the funds are usually used for a period of less than twelve months.

Credit risk:

The Corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the Corporation's receivables are from government entities which minimizes the risk of non-collection. The Corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

The Corporation is also exposed to credit risk through the possibility of non-collection of its mortgages and loans receivable. The Corporation's loan guidelines set out the minimum requirements for management of credit risk. The Corporation's loan guidelines include policies regarding the approval of lending, eligibility for loans, lending limits, and loan collateral security.

With respect to credit risk, the Board of Directors receives details of new loans and delinquent loans. The Corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the consolidated statement of financial position for accounts receivable, mortgages receivable and loans receivable.

## 18. *Financial instrument risks (continued)*

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

## 19. *Programs under administration*

*DRDG Program*

The DRDG Program is funded by the City and Province and provides grants to developers of residential/mixed use projects in the downtown. The grants provided are based upon the annual incremental taxes generated by the development in the first full year following completion. For condominium developments, the developers receive a grant of 10 times the first years' incremental taxes. For rental developments, the developer receives a grant equal to 15 times the first years' incremental taxes. Developers can elect to receive a lump sum payment of the net present value, or receive annual payments. When lump sum payments are elected, the funds are borrowed from a conventional lender and loans are repaid by the annual incremental taxes.

The Corporation administers this program on behalf of the City and Province, which entails the acceptance of applications and monitoring development through to completion. When lump sum grants are payable under the program, the City provides the Corporation with direction to borrow funds and the loans are drawn by the Corporation and guaranteed by the City. The City provides funding for the annual loan repayments to the Corporation from the annual incremental taxes.

*Exchange Waterfront Neighbourhood Development Program*

The Exchange Waterfront Neighbourhood Development Program's (the EWND Program) objective is to support the development of a complete community in the Exchange Waterfront Neighborhood. The Program is funded by the City and Province through tax increment financing and achieved by borrowing for an additional five years against the incremental taxes that are generated by the condominium projects that receive grants under the DRDG Program. Under the DRDG Program, the developer is entitled to receive a grant equal to the net present value of 10 years of incremental taxes generated by the project and EWND Program is funded receiving the net present value of an additional 5 years of incremental taxes. The City and Province forgo the incremental taxes for 15 years on the condominium projects to provide the funds required to repay the borrowing for the DRDG and EWND Programs.

The funds are used to undertake initiatives relating to increasing safety, providing transportation options, improving the image and awareness of the neighbourhood and infrastructure improvements to beautify the neighborhood and make it more pedestrian friendly. The Corporation administers the EWND Program on behalf of the City and the Province, which entails doing the research and making recommendations for initiatives to undertake and then implementing and monitoring the initiatives to completion.

As the Corporation only administers the DRDG and EWND Programs on behalf of the City and Province, the related assets and liabilities that are administered by the Corporation have not been reflected in these consolidated financial statements.

## *19. Program under administration (continued)*

The assets and liabilities that are administered by the Corporation under the DRDG and EDWN Programs are as follows:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***Assets:*** | | | | |
| Cash | **$** | **1,723,201** | $ | 5,857 |
| DRDG TIF receivable - the City | | **13,973,182** | | 5,751,227 |
| | **$** | **15,696,383** | $ | 5,757,084 |
| ***Liabilities:*** | | | | |
| Accounts payable - EWND | **$** | **1,717,346** | $ | - |
| Loans payable | | **13,979,037** | | 5,757,084 |
| | **$** | **15,696,383** | $ | 5,757,084 |

The Corporation receives an annual payment from the City for the loans to cover the annual debt servicing costs. The loans payable are fully guaranteed by the City.

## *20. Comparative information*

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

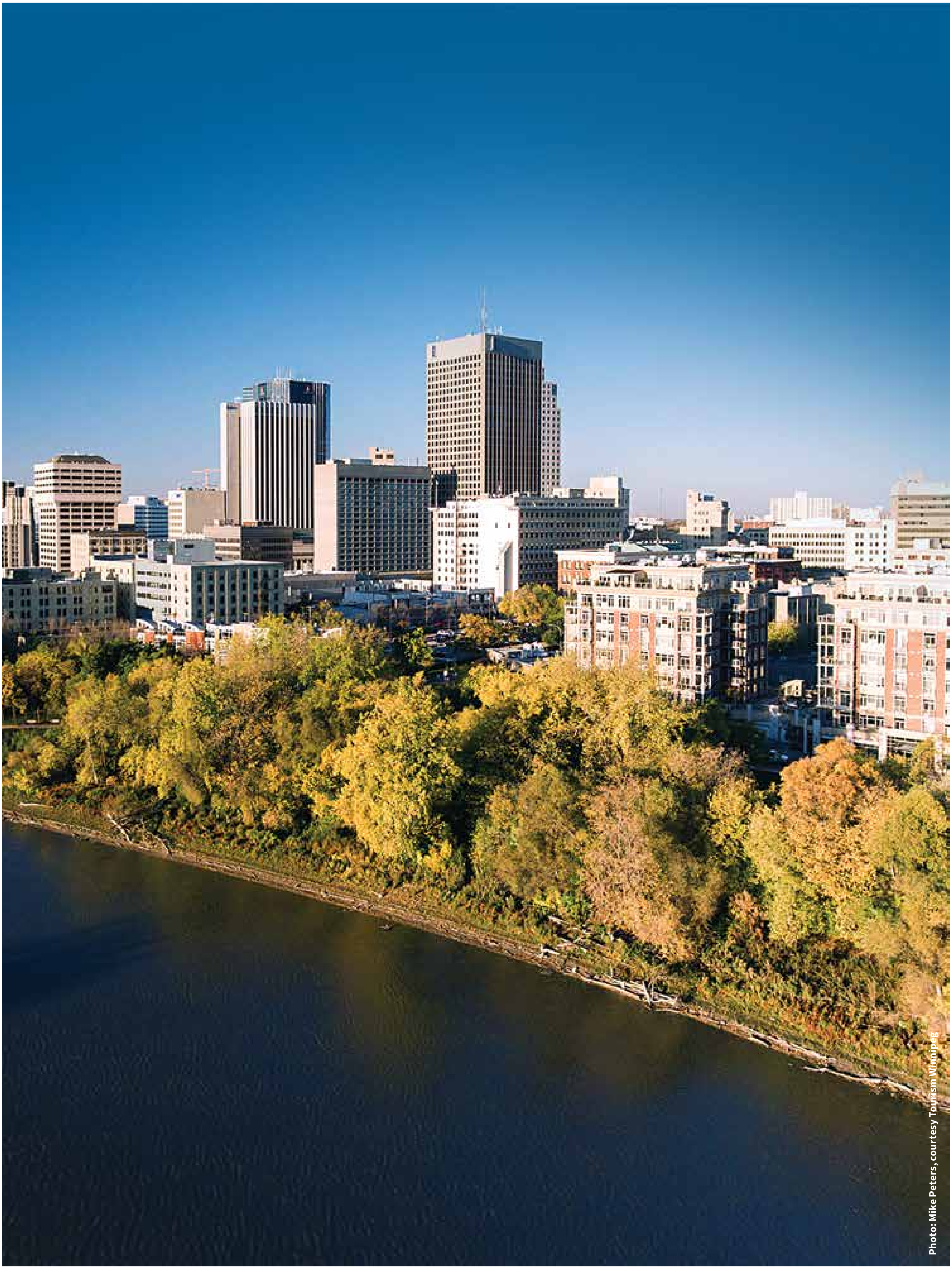
Photo: Mike Peters, courtesy Tourism Winnipeg

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF OPERATIONS

*Year Ended December 31*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***REVENUES*** | | | | |
| City of Winnipeg | **$** | **4,645,319** | $ | 4,645,319 |
| Arts Development | | **23,699** | | 39,383 |
| Other income | | **1,876** | | 10,328 |
| Interest income | | **19,210** | | 17,427 |
| | | **4,690,104** | | 4,712,457 |
| ***EXPENSES*** | | | | |
| Program expenses (Schedule of Expenses) | | **4,087,679** | | 4,098,852 |
| Administrative expenses (Schedule of Expenses) | | **498,555** | | 534,226 |
| | | **4,586,234** | | 4,633,078 |
| ***OTHER PROJECTS*** | | | | |
| Public Art revenues (Note 5) | | **924,142** | | 560,722 |
| Public Art expenses (Schedule of Expenses) | | **(924,142)** | | (560,722) |
| | | **-** | | - |
| ***EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION*** | | **103,870** | | 79,379 |
| ***AMORTIZATION*** | | **(7,944)** | | (13,963) |
| ***EXCESS OF REVENUES OVER EXPENSES AFTER AMORTIZATION*** | **$** | **95,926** | $ | 65,416 |

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF CHANGES IN NET ASSETS

*Year Ended December 31*

| | Unrestricted | Invested in Capital Assets | Internally Restricted | **Total 2017** | Total 2016 |
|---|---|---|---|---|---|
| Net assets, beginning of year | $ 130,319 | $ 10,566 | $ 227,294 | **$ 368,179** | $ 342,763 |
| Excess of revenues over expenses | 103,870 | (7,944) | - | **95,926** | 65,416 |
| Transfer (Note 6) | (10,000) | - | - | **(10,000)** | (40,000) |
| Net assets, end of year | $ 224,189 | $ 2,622 | $ 227,294 | **$ 454,105** | $ 368,179 |

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF FINANCIAL POSITION

*December 31*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 1,755,210** | $ 739,656 |
| Term deposits | **-** | 900,000 |
| Receivables | **74,892** | 10,000 |
| Interest receivable | **-** | 4,488 |
| GST receivable | **10,853** | 9,765 |
| Prepaid expenses | **2,391** | 2,338 |
| | **1,843,346** | 1,666,247 |
| Equipment and leasehold improvements (Note 3) | **2,622** | 10,566 |
| | **$ 1,845,968** | $ 1,676,813 |
| ***LIABILITIES*** | | |
| Current | | |
| Payables and accruals | **$ 15,500** | $ 15,500 |
| Grant holdbacks (Note 4) | **265,061** | 160,028 |
| Deferred contributions (Note 5) | **1,111,302** | 1,133,106 |
| | **1,391,863** | 1,308,634 |
| ***NET ASSETS*** | | |
| Unrestricted | **224,189** | 130,319 |
| Invested in capital assets | **2,622** | 10,566 |
| Internally restricted (Note 7) | **227,294** | 227,294 |
| | **454,105** | 368,179 |
| | **$ 1,845,968** | $ 1,676,813 |

Commitment (Note 8)

*See accompanying notes to the financial statements*

## WINNIPEG ARTS COUNCIL INC.

### STATEMENT OF CASH FLOWS

*Year Ended December 31*

| | 2017 | 2016 |
|---|---|---|
| Cash derived from (applied to): | | |
| ***OPERATING*** | | |
| Excess of revenues over expenses | **$ 95,926** | $ 65,416 |
| Amortization | **7,944** | 13,963 |
| | **103,870** | 79,379 |
| Change in non-cash working capital | | |
| Receivables | **(64,892)** | 6,951 |
| Interest receivable | **4,488** | 219 |
| GST receivable | **(1,088)** | (4,101) |
| Prepaid expenses | **(53)** | 2,181 |
| Payables and accruals | **-** | 9,000 |
| Grant holdbacks | **105,033** | 56,987 |
| Deferred contributions | **(21,804)** | (64,322) |
| | **125,554** | 86,294 |
| ***INVESTING*** | | |
| Redemption of term deposits | **900,000** | 975,000 |
| Purchase of term deposits | **-** | (900,000) |
| Transfer to Endowment Fund | **(10,000)** | (40,000) |
| | **890,000** | 35,000 |
| ***NET INCREASE IN CASH*** | **1,015,554** | 121,294 |
| ***CASH BALANCE*** | | |
| Beginning of year | **739,656** | 618,362 |
| End of year | **$ 1,755,210** | $ 739,656 |

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*

### *1. Nature of operations*

Winnipeg Arts Council Inc. (the Organization) funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

The Organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

### *2. Significant accounting policies*

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

#### a) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives:

| | |
|---|---|
| Office equipment | 5 years Straight-line |
| Furniture and fixtures | 10 years Straight-line |
| Computer equipment | 3 years Straight-line |

Amortization of leasehold improvements is recorded over the term of the lease.

#### b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### c) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### d) Financial instruments

The Organization recognized its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized costs.

## *2. Significant accounting policies (continued)*

### d) Financial instruments (continued)

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, liquidity, market or price risks arising from its financial instruments.

## *3. Equipment and leasehold improvements*

| | **Cost** | **Accumulated Amortization** | **2017 Net Book Value** | 2016 Net Book Value |
|---|---|---|---|---|
| Office equipment | **$ 6,574** | **$ 6,574** | **$ -** | $ - |
| Furniture and fixtures | **34,243** | **32,299** | **1,944** | 5,368 |
| Leasehold improvements | **104,258** | **104,258** | **-** | 4,407 |
| Computer equipment | **5,091** | **4,413** | **678** | 791 |
| | **$ 150,166** | **$ 147,544** | **$ 2,622** | $ 10,566 |

## *4. Grant holdbacks*

The Organization follows the policy of holding back a proportion of grants awarded in a year until certain completion criteria have been satisfied. Furthermore, some awards will be disbursed according to a cash flow schedule developed with the agreement of the recipient organizations. Accordingly, this account represents the award balances which will be disbursed in the future according to the specified guidelines.

At December 31, the composition of the holdbacks according to award category are as follows:

| | **2017** | 2016 |
|---|---|---|
| Youth WITH ART | **$ 89,972** | $ 71,976 |
| Arts Development | **52,258** | 27,432 |
| Individual Artist Grants | **43,000** | 24,000 |
| Multi-year grants | **37,150** | 21,220 |
| Indigenous Arts Leaders Fellowship | **26,431** | - |
| Project grants | **16,250** | 13,900 |
| Professional Development grants | **-** | 1,500 |
| | **$ 265,061** | $ 160,028 |

## *5. Deferred contributions*

Deferred contributions represent restricted funding and unspent externally restricted resources which relate to the subsequent year.

Public Art relates to the design and execution of particular artworks to be created in public areas of Winnipeg. The commissioning and installation of public art projects is a multi-year process. This program is supported by a specified allocation from the City of Winnipeg with the occasional addition of grant funds and partnerships. Financial support to individual artists is awarded on the recommendations of juries selected by the Organization.

## *5. Deferred contributions (continued)*

| | 2017 | 2016 |
|---|---|---|
| Public Art | | |
| Contributions | | |
| City of Winnipeg | **$ 453,300** | $ 462,400 |
| Air Canada Park | **291,000** | - |
| Southwest Rapid Transit | **106,276** | - |
| 1919 Streetcar | **32,000** | - |
| Old St. Vital BIZ | **16,020** | 34,000 |
| Other | **3,742** | - |
| Transferred to revenue | **(924,142)** | (560,722) |
| Decrease during the year | **(21,804)** | (64,322) |
| Deferred contributions, beginning of year | **1,133,106** | 1,197,428 |
| Deferred contributions, end of year | **$ 1,111,302** | $ 1,133,106 |

The following provides a breakdown by project of the unexpended balance:

| | 2017 | 2016 |
|---|---|---|
| Public Art Projects | | |
| Air Canada Park/Indigenous Artists Projects | **$ 339,525** | $ 249,421 |
| 1919 Streetcar | **237,476** | - |
| WITH ART: Community Arts Projects | **153,491** | 181,625 |
| South Sherbrook/Cornish Library | **131,263** | 137,863 |
| Kildonan Park | **105,587** | 174,748 |
| Public Art Contingency | **73,410** | 73,410 |
| Broadway Light-based Sculptures | **53,360** | 77,765 |
| Old St. Vital BIZ/Intersection of St. Anne's & St. Mary's | **9,144** | 77,639 |
| Windsor Park Library | **8,046** | 73,096 |
| Artist in Residence | **-** | 41,108 |
| Norwood Grove Biz | **-** | 39,000 |
| Public Education and Outreach | **-** | 4,674 |
| Community Engagement Program | **-** | 2,757 |
| | **$ 1,111,302** | $ 1,133,106 |

## 6. Transfer

During the year, the Board of Directors approved a transfer of $10,000 (2016 - $40,000) from unrestricted net assets as a contribution to the Endowment Fund held at the Winnipeg Foundation, in memory of Laird Rakin, Chair Emeritus.

## *7. Net assets*

***Internally restricted net assets***

| | 2017 | 2016 |
|---|---|---|
| Cash flow assistance | **$ 100,000** | $ 100,000 |
| Internally restricted net assets | **127,294** | 127,294 |
| | **$ 227,294** | $ 227,294 |

## *7. Net assets (continued)*

The allocation for cash flow assistance was made in order to provide cash flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from the City of Winnipeg.

The allocation for internally restricted net assets is available for the development of new programs at the discretion of the Board of Directors and to finance future projects to engage the overall community in support of the arts in the City of Winnipeg.

### *Unrestricted net assets*

The Organization considers its capital to be the balance maintained in its unrestricted net assets.  Capital is utilized under the direction of the Board of Directors.  The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern.

## *8. Commitment*

The Organization entered into a new lease agreement for office space, which expires on June 30, 2022. The Organization's annual lease payments over the next five years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 29,254 |
| 2019 | | 30,131 |
| 2020 | | 31,035 |
| 2021 | | 31,966 |
| 2022 | | 16,219 |

## *9. Economic dependence*

The volume of financial activity undertaken by the Organization with its main funding body is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

## *10. Endowment fund*

In 2011, the Organization established an Endowment Fund through a $20,000 contribution to be held in perpetuity at The Winnipeg Foundation.  Interest revenue earned by this fund is available to the Organization annually to support general operations.  As of December 31, 2017, the Organization's cumulative contributions to the Endowment Fund totaled $85,000 (2016 - $75,000) with a cumulative matching grant contribution of $30,001 (2016 - $27,340) from The Winnipeg Foundation.  The market value of the Endowment Fund at December 31, 2017 is $157,365 (2016 - $131,691).

# WINNIPEG ARTS COUNCIL INC.

## SCHEDULE OF EXPENSES

*Year ended December 31*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***PROGRAM EXPENSES*** | | | | |
| Multi-year grants | **$** | **3,415,640** | $ | 3,418,140 |
| Individual artist grants | | **218,300** | | 219,550 |
| Project grants | | **168,000** | | 173,000 |
| Arts Development | | **160,000** | | 160,000 |
| Youth WITH ART grants | | **60,000** | | 60,000 |
| Professional development grants | | **37,300** | | 44,750 |
| Jury honoraria and expenses | | **12,252** | | 15,310 |
| Poet Laureate | | **7,296** | | - |
| Carol Shields Winnipeg Book Award | | **6,750** | | 6,250 |
| Translation services | | **2,141** | | 1,852 |
| | **$** | **4,087,679** | $ | 4,098,852 |
| ***ADMINISTRATIVE EXPENSES*** | | | | |
| Board and committee meetings | **$** | **7,040** | $ | 6,908 |
| Hospitality and promotion | | **5,074** | | 5,542 |
| Professional and consultant fees | | **12,064** | | 26,266 |
| Professional development, membership and conferences | | **5,495** | | 9,286 |
| Rent and utilities | | **53,685** | | 51,695 |
| Salaries and benefits | | **372,838** | | 394,254 |
| Supplies and other office expenses | | **36,487** | | 35,059 |
| Telecommunications | | **5,872** | | 5,216 |
| | **$** | **498,555** | $ | 534,226 |
| ***PUBLIC ART EXPENSES*** | | | | |
| Administration | **$** | **75,000** | $ | 75,000 |
| Artists proposal expenses | | **60,866** | | 53,615 |
| Commission fees | | **606,859** | | 288,626 |
| Consultation | | **107,628** | | 46,130 |
| Jury honoraria and expenses | | **13,646** | | 10,298 |
| Public education | | **56,333** | | 37,548 |
| Research, planning and marketing | | **3,810** | | 49,505 |
| | **$** | **924,142** | $ | 560,722 |

*See accompanying notes to the financial statements*

Photo: City of Winnipeg

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF FINANCIAL POSITION

*Year ended December 31*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current assets | | |
| Cash | **$ 61,957** | $ 80,569 |
| Guaranteed investment certificate (note 3) | **2,002** | - |
| GST receivable | **764** | 421 |
| Prepaid expenses | **2,038** | 2,317 |
| | **$ 66,761** | $ 83,307 |
| ***LIABILITIES AND NET ASSETS*** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **$ 230** | $ 10,307 |
| ***NET ASSETS*** | | |
| Unrestricted | **66,531** | 73,000 |
| | **$ 66,761** | $ 83,307 |

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF OPERATIONS

*Year ended December 31*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***REVENUE*** | | | | |
| City of Winnipeg operating grant | **$** | **79,315** | $ | 79,315 |
| ***EXPENDITURES*** | | | | |
| Administrative | | **10,152** | | 8,717 |
| Development and research | | **9,457** | | 10,323 |
| Foundation donation | | **20,000** | | 20,000 |
| Outreach Project | | **28,644** | | 9,967 |
| Promotion, advertising, and community outreach | | **7,031** | | 6,204 |
| Sponsorship | | **10,500** | | 15,000 |
| | | **85,784** | | 70,211 |
| **DIFFERENCE BETWEEN REVENUE AND EXPENDITURES** | **$** | **(6,469)** | $ | 9,104 |

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31*

| | 2017 | 2016 |
|---|---|---|
| **Net assets, beginning of year** | **$ 73,000** | $ 63,896 |
| Difference between revenue and expenditures | **(6,469)** | 9,104 |
| **Net assets, end of year** | **$ 66,531** | $ 73,000 |

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF CASH FLOWS

*December 31*

| | **2017** | 2016 |
|---|---|---|
| ***OPERATING ACTIVITIES*** | | |
| Excess of revenue over expenditures | **$ (6,469)** | $ 9,104 |
| Change in non-cash working capital | | |
| GST receivable | **(343)** | (201) |
| Prepaid expenses | **279** | 3,181 |
| Accounts payable | **(10,077)** | 10,187 |
| | **(16,610)** | 22,271 |
| ***INVESTING ACTVITIES*** | | |
| Purchase of guaranteed investment certificate | **(2,002)** | - |
| **Change in cash** | **(18,612)** | 22,271 |
| **CASH, beginning of year** | **80,569** | 58,298 |
| **CASH, end of year** | **$ 61,957** | $ 80,569 |

## NOTES TO FINANCIAL STATEMENTS

*For the year ended December 31, 2017*

### 1. *Purpose of the Organization:*

The Winnipeg Public Library Board (the "Organization") was established through the enactment of a City of Winnipeg by-law to provide guidance with respect to improving the City's library system. It is a not-for-profit organization that is exempt from income tax under provisions of the *Income Tax Act.*

### 2. *Significant accounting policies:*

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements have been prepared using the following accounting policies:

#### a) Critical accounting estimates and judgments-

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgements, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

#### b) Financial instruments-

Except for certain related party transactions, financial instruments are measure at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs

## 2. *Significant accounting policies (continued):*

### b) Financial instruments (continued)-

that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash, guaranteed investment certificate and accounts payable and accrued liabilities amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in the difference between revenues and expenses.

### c) Revenue recognition-

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses occur. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue is recognized when incurred and when collection can be reasonably assured.

As is common with many not-for-profit organizations, the Organization receives contributions in the form of goods and services. Because of the difficulty of determining their value, contributed goods and services are not recognized in the financial statements.

### d) Capital assets-

The average annual revenues recognized in the statement of operations for the current and preceding period of the Organization was less than $500,000. Since the organization met criteria for small not-for-profit organizations, it does not record the acquisition of capital assets. These acquisitions are expensed at the date of acquisition. No capital assets were acquired or expensed in the statement of operations (2016 - $nil).

## 3. *Guaranteed investment certificate:*

The Organization purchased a cashable guaranteed investment certificate that matures November 6, 2018 and bears interest at 0.5%.

## 4. *Economic dependence:*

The organization is dependent on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

## *5. Risk management:*

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk -

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main source of liquidity is its operations. The funds are primarily used to finance working capital requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Photo: Brian Gould, courtesy Tourism Winnipeg

# ASSINIBOINE PARK CONSERVANCY INC.

## BALANCE SHEET

*December 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| CURRENT | | |
| Cash and short-term investments (Note 3) | **$ 8,058,384** | $ 11,640,668 |
| Accounts receivable | **300,977** | 253,535 |
| Government grants receivable | **7,414,153** | - |
| Government remittances receivable | **322,092** | 41,396 |
| Inventory | **318,351** | 286,578 |
| Prepaid expenses | **343,643** | 343,297 |
| | **16,757,600** | 12,565,474 |
| CAPITAL ASSETS (Note 4) | **113,706,416** | 103,505,339 |
| ART COLLECTIONS (Note 5) | **14,057,344** | 14,057,344 |
| EMPLOYEE BENEFITS RECEIVABLE (Note 6) | **334,235** | 420,675 |
| | **$ 144,855,595** | $ 130,548,832 |
| ***LIABILITIES*** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | **$ 5,389,545** | $ 3,547,320 |
| Deferred contributions - operating (Note 7) | **370,155** | 469,206 |
| Notes payable (Note 8) | **4,800,000** | 6,150,000 |
| Current portion of long-term debt (Note 9) | **270,000** | 323,497 |
| | **10,829,700** | 10,490,023 |
| DEFERRED CONTRIBUTIONS - OPERATING (Note 7) | **202,205** | 87,490 |
| DEFERRED CONTRIBUTIONS - CAPTIAL (Note 10) | **119,123,436** | 105,028,225 |
| LONG-TERM DEBT (Note 9) | **274,747** | 544,747 |
| ACCRUED EMPLOYEE BENEFITS (Note 6) | **139,593** | 189,508 |
| | **130,569,681** | 116,339,993 |
| COMMITMENTS (Note 18) | | |
| ***NET ASSETS*** | | |
| Restricted (Notes 2(c) and 5) | **14,057,344** | 14,057,344 |
| Internally Restricted (Notes 2(f) and 14) | **225,000** | 150,000 |
| Unrestricted | **3,570** | 1,495 |
| | **14,285,914** | 14,208,839 |
| | **$ 144,855,595** | $ 130,548,832 |

# ASSINIBOINE PARK CONSERVANCY INC.

## STATEMENT OF OPERATIONS

*For the Year Ended December 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***REVENUE*** | | |
| City of Winnipeg (Note 11) | **$ 10,840,000** | $ 10,512,000 |
| Other operating grants (Note 13) | **191,929** | 246,474 |
| Gifts and sponsorships (Note 12 and 13) | **1,138,177** | 1,002,735 |
| Amortization of deferred contributions | **7,124,551** | 6,869,160 |
| Park revenues | **11,904,174** | 13,154,499 |
| | **31,198,831** | 31,784,868 |
| Direct costs of park revenues (Note 11) | **7,245,012** | 7,107,612 |
| | **23,953,819** | 24,677,256 |
| ***EXPENSE*** | | |
| Administration (Note 11) | **1,410,495** | 1,625,047 |
| Interest | **138,425** | 190,942 |
| Amortization of capital assets | **7,147,025** | 7,117,350 |
| Insurance | **216,700** | 186,392 |
| Operations (Note 11) | **2,246,596** | 2,567,052 |
| Utilities (Note 11) | **974,568** | 1,079,302 |
| Wages, benefits and contract services (Note 11) | **11,675,196** | 11,687,922 |
| Donation to Winnipeg Foundation - ParkShare (Note 12) | **67,739** | 65,889 |
| | **23,876,744** | 24,519,896 |
| ***EXCESS OF REVENUE OVER EXPENSE*** | **$ 77,075** | $ 157,360 |

# ASSINIBOINE PARK CONSERVANCY INC.

## STATEMENT OF CHANGES IN NET ASSETS

*Year Ended December 31, 2017*

| | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | **Restricted Net Assets** | **Internally Restricted Net Assets** | **Unrestricted Net Assets** | **Total** | Total |
| Balance, beginning of year | **$ 14,057,344** | **$ 150,000** | **$ 1,495** | **$ 14,208,839** | $ 13,791,479 |
| Gift of art (Note 5) | **-** | **-** | **-** | **-** | 260,000 |
| Excess of revenue over expense | **-** | **-** | **77,075** | **77,075** | 157,360 |
| Interfund transfers (Notes 14) | **-** | **75,000** | **(75,000)** | **-** | - |
| Balance, end of year | **$ 14,057,344** | **$ 225,000** | **$ 3,570** | **$ 14,285,914** | $ 14,208,839 |

# ASSINIBOINE PARK CONSERVANCY INC.

## STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***OPERATING ACTIVITIES*** | | |
| Excess of revenue over expense | **$ 77,075** | $ 157,360 |
| Items not affecting cash: | | |
| Amortization of capital assets | **7,147,025** | 7,117,350 |
| Amortization of deferred contributions | **(7,124,551)** | (6,869,160) |
| | **99,549** | 405,550 |
| Changes in non-cash operating working capital items: | | |
| Accounts receivable | **(47,442)** | (42,701) |
| Government grants receivable | **(7,414,153)** | 328,081 |
| Government remittances receivable | **(280,696)** | (33,498) |
| Inventory | **(31,773)** | (1,896) |
| Prepaid expenses | **(346)** | (15,336) |
| Accounts payable and accrued liabilities | **1,842,225** | 1,136,973 |
| Deferred contributions - operating | **15,664** | (199,749) |
| | **(5,816,972)** | 1,577,424 |
| ***FINANCING ACTIVITIES*** | | |
| Deferred contributions - capital | **21,219,762** | 11,202,313 |
| Repayment of notes payable | **(1,350,000)** | (3,460,000) |
| Repayment of long term debt | **(323,497)** | (382,000) |
| Change in employee benefits receivable | **86,440** | (3,491) |
| Change in accrued employee benefits | **(49,915)** | 3,491 |
| | **19,582,790** | 7,360,313 |
| ***INVESTING ACTIVITIES*** | | |
| Acquisition of capital assets | **(17,348,102)** | (6,793,353) |
| Acquisition of art collections | **-** | (20,800) |
| | **(17,348,102)** | (6,814,153) |
| ***NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS*** | **(3,582,284)** | 2,123,584 |
| ***CASH AND SHORT-TERM INVESTMENTS, beginning of year*** | **11,640,668** | 9,517,084 |
| ***CASH AND SHORT-TERM INVESTMENTS, end of year*** | **$ 8,058,384** | $ 11,640,668 |

# ASSINIBOINE PARK CONSERVANCY INC.

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2017*

### *1. Description of Assiniboine Park Conservancy Inc. ("The Conservancy")*

On July 16, 2006 Winnipeg City Council adopted a new governance model for Assiniboine Park ("the Park"), which called for the establishment of a not-for-profit entity to oversee the operation and development of the Park for the benefit of the community. Under the new governance model, Assiniboine Park Conservancy Inc. (the "Conservancy") was created on April 17, 2008 with an independent Board of Directors, appointed with representation from all three levels of government and the private sector, to govern at arm's length from the City of Winnipeg ("the City").

Through a fifty year Lease and Funding Agreement with the Conservancy which came into effect on October 1, 2010, the City retains ownership of the Park and all of its assets. Under this agreement, the City provides an annual grant to support the operation and maintenance of the Park and is committed to a 25% share, up to $50 million, of the cost of major capital redevelopment of Park attractions and amenities. It is anticipated that the Province of Manitoba, the federal government and the private sector will also be partners in the redevelopment over the next 3 years.

The Conservancy became a registered charity under the Income Tax Act on January 1, 2009 and is exempt from income taxes.

### *2. Significant Accounting Policies*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

**a) Revenue recognition**

The Conservancy follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized in accordance with the restrictions placed on them by the funder.

Unrestricted gifts are recognized as revenue in the period in which the gifts are received. Gifts that are restricted by the donor are deferred, and then recognized in the year in which the related restriction is met. Non-monetary gifts are recorded at fair value in revenue when received.

Pledges receivable from donors have not been recognized in these financial statements.

Park revenues, which include revenues from zoo admissions, food, beverage and retail sales, education programming, hosting of private functions and public fundraisers, are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

## 2. *Significant Accounting Policies (continued)*

### b) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets estimated useful life as follows:

| | |
|---|---|
| Park facility improvements | 10 - 40 years |
| Grounds improvements | 5 - 20 years |
| Park equipment and systems | 5 - 20 years |
| Moving equipment | 5 - 15 years |

Park facility improvements include new buildings and exhibits, and major improvements to existing buildings and exhibits in the Park. Grounds improvements include major improvements to roadways, parking lots, landscaping, lighting, pathways and signage. Park equipment and systems include information technology, security and safety systems, temporary structures, computer equipment, office furniture and fixtures, playground equipment, benches, picnic tables and other Park equipment, retail equipment and minor improvements to existing buildings. Moving equipment includes grounds maintenance and sanitation equipment, the Park vehicle fleet and people movers.

Construction in progress includes the costs associated with the construction of new Park facilities, grounds improvements and major upgrades to existing facilities within the Park. Amortization of these assets will commence when the asset is determined to be ready for use and put into service.

### c) Art collections

Art collections gifted to the Conservancy are recorded at their appraised fair market values at the date of the gift. Art collections that are purchased by the Conservancy are recorded at the cost of the purchase. The art collections are capitalized on the balance sheet and no amortization is recorded.

The Conservancy is precluded from selling the art in both the legacy and other collections. Should artwork be damaged or stolen, the proceeds of an insurance claim would either be used to restore the artwork, to acquire new pieces of art for the collection or for the direct care of the remaining collection.

### d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Conservancy subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

## 2. *Significant Accounting Policies (continued)*

### d) Financial instruments (continued)

With respect to financial assets measured at cost or amortized cost, the Conservancy recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

### e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are the determination of the useful lives of the capital assets and the amount of the employee benefits receivable and accrued employee benefits. Actual results could differ from these estimates.

### f) Internally restricted net assets

The Conservancy has internally restricted certain funds for a fiscal stabilization reserve to support the long-term sustainability of the organization.

## 3. *Cash and Short-Term Investments*

Cash and short-term investments consist of cash on hand and balances with banks. Included in cash and short-term investments is restricted cash held in a joint bank account with a construction company for the payment of holdbacks in the amount of $534,877 (2016 - $nil)

## 4. *Capital Assets*

| | **2017** | | | 2016 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Park facility improvements | **$ 94,960,620** | **$ 14,179,377** | **$ 80,781,243** | $ 82,763,772 |
| Grounds improvements | **11,713,143** | **5,059,445** | **6,653,698** | 7,135,495 |
| Park equipment and systems | **20,857,722** | **13,217,760** | **7,639,962** | 8,794,537 |
| Moving equipment | **1,877,188** | **822,185** | **1,055,003** | 915,303 |
| Construction in progress | **17,576,510** | **-** | **17,576,510** | 3,896,232 |
| | **$ 146,985,183** | **$ 33,278,767** | **$ 113,706,416** | $ 103,505,339 |

The Province of Manitoba has a $30 million investment in the Leatherdale International Polar Bear Conservation Centre ("LIPBCC") and Polar Bear Facilities, which include the Gateway to the Artic Building, the Animal Holding and Filtration System Building and the Polar Plunge. As a result, the Province's $30 million investment in these capital assets do not appear on the Conservancy's balance sheet.

### 4. *Capital Assets (continued)*

The Conservancy and the Province have three continuing agreements which related to the provincially owned buildings.  A long-term Ground Sublease Agreement provides the Province with a sublease on the land on which the LIPBCC and the Polar Bear Facilities are located within the Park.  An Operations Agreement gives the Conservancy responsibility for operating these buildings.  Under the Operations Agreements, the Province will provide future capital funding for required capital repairs and replacements to the LIPBCC and the Polar Bear Facilities to ensure that it continues to meet the standards of the Province over the term of the Ground Sublease Agreement.  Under an Insurance Agreement, the Province has assumed  responsibility for providing insurance for the LIPBCC and the Polar Bear Facilities.

In 2017, the Conservancy began construction on Canada's Diversity Gardens, which will include a new conservatory called the Leaf and three exterior gardens, the Cultural Mosaic Gardens, the Indigenous Peoples Gardens and the Grove.  Canada's Diversity Gardens is being funded with grants from the Federal government, the Province of Manitoba and the City of Winnipeg and with gifts from the private sector.

### 5. *Art Collections*

The art collections include approximately 4,072 works of art held for public exhibition and education. The art collections include the works of Ivan Eyre, Walter J. Phillips, Clarence Tillenius, E.H. Sheppard's portrait of Winnie the Pooh and A.A. Milne's book, titled "Now We are Six".  The Conservancy did not receive or dispose of any works of art during the year ending December 31, 2017.

| | **2017** | 2016 |
|---|---|---|
| Legacy art collections | **$ 13,559,652** | $ 13,559,652 |
| Other art collections | **497,692** | 497,692 |
| | **$ 14,057,344** | $ 14,057,344 |

### 6. *Employee Benefits Receivable and Accrued Employee Benefits*

Under the Lease and Funding Agreement between the Conservancy and the City, the City is responsible for funding all labour costs associated with CUPE 500 members who were previously employed by the City in Assiniboine Park Zoo and the Conservatory.

Accordingly, included in the employee benefits receivable is an amount due from the City of $194,643 which represents the vacation pay earned by CUPE 500 employees while they were employed by the City to September 30, 2010.

Under the collective agreements with CUPE 500, employees are also entitled to certain employee benefit payouts on retirement, which will be honored by the Conservancy at a future date when these employees retire.

Included in the employee benefits receivable is an amount of $139,592 which represent the amount due from the City to fund a sick pay severance liability payable to these employees as of September 30, 2010. Also recorded is the corresponding long-term liability to these employees which will be paid out to them upon retirement.  It is expected that insignificant payouts to employees will occur in 2018 and therefore the receivable and liability are both recorded as long-term.

## 6. *Employee Benefits Receivable and Accrued Employee Benefits (continued)*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Vacation pay receivable | **$** | **194,643** | $ | 231,167 |
| Sick pay severance receivable | | **139,592** | | 189,508 |
| | **$** | **334,235** | $ | 420,675 |

## 7. *Deferred Contributions - Operating*

The balance in current deferred contributions - operating at December 31, 2017 represents $308,792 (2016 - $202,055) of externally designated funds to be used to offset 2018 operating costs, $ nil (2016 - $200,000) of externally designated funds to be used to offset 2017 repairs and maintenance in Leo Mol Gardens and $61,363 (2016 - $67,151) of funds to be used to offset 2018 costs of conservation and research activities. The balance of Leo Mol Sculpture Garden funds of $202,205 (2016 - $87,490) that are not expected to be spent in 2018 are reflected as long term deferred contributions.

## 8. *Notes Payable*

The Conservancy arranged a loan facility with a financial institution for up to $17 million for the purpose of bridge financing the construction of the Journey to Churchill. As at December 31, 2017, the amount owing on the loan is $4,800,000 (2016 - $6,150,000). The demand loan is secured by a guarantee guarantee signed by the City and on expiration of the guarantee is repayable in full by December 31, 2020. In 2016, the City approved an additional guarantee in the amount of $500,000 to provide the Conservancy with an operating line of credit for operational cash flow management purposes.

The Conservancy arranged an additional loan facility with a financial institution for up to $11 million for the purpose of bridge financing the construction of Canada's Diversity Gardens. The demand loan is a revolving loan up until December 31, 2019, at which time the loan will become a non-revolving loan. The demand loan is secured by a guarantee signed by the City and, on expiration of the guarantee, is repayable in full by December 31, 2020. The Conservancy did not require loan proceeds to fund construction costs during the year ending December 31, 2017.

Interest on these loans is at prime less 0.75%. Principal repayments on notes payable of $4,800,000 are due on demand in the upcoming year.

## 9. *Long-Term Debt*

In 2013, the Conservancy entered into an agreement with Manitoba Hydro to finance the first phase of the park's underground electrical service which was required as part of the Journey to Churchill project. The loan bears interest at 3.65% and has a 70 month term ending in January 2019. Interest on the loan is payable monthly and an aggregate annual principal repayment ranging from $250,000 to $274,747 is required in January of each fiscal year. The loan is secured by the equipment acquired.

In 2013, the Conservancy entered into an agreement with a private company to finance the cost of new trailers acquired to provide administrative offices for Conservancy staff. The loan is interest free and is repayable in monthly payments of $11,000. The loan was repaid in full in May 2017.

### 9. *Long-Term Debt (continued)*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Manitoba Hydro loan payable | **$** | **544,747** | $ | 814,747 |
| Equipment loan payable | | **-** | | 53,497 |
| | | **544,747** | | 868,244 |
| Less: current portion | | **(270,000)** | | (323,497) |
| | **$** | **274,747** | $ | 544,747 |

Scheduled principal payments on long-term debt, in each of the next two years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 270,000 |
| 2019 | | 274,747 |

### 10. *Deferred Contributions - Capital*

During the year, the Conservancy received contributions totaling $21,219,762 (2016 - $11,202,313) related to designated capital projects. These designated contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the designated capital projects.

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **105,028,225** | $ | 100,695,072 |
| Contributions received | | **21,219,762** | | 11,202,313 |
| Amortization of deferred contributions | | **(7,124,551)** | | (6,869,160) |
| Balance, end of year | **$** | **119,123,436** | $ | 105,028,225 |

Pledges made by donors are not recognized as contributions until received from the donor in cash or in kind.

### 11. *City of Winnipeg*

The City of Winnipeg is a significant operating partner of the Conservancy, providing a significant portion of its operating funding in 2017 through an annual operating grant. The City has also committed to providing a 25% investment in the capital redevelopment of Assiniboine Park, as described in Note 1, and provides an annual capital grant for the capital refurbishment of existing buildings, exhibits and amenities in the Park. A summary of the City of Winnipeg account balances and transactions as at and for the year ending December 31, 2017 are as follows.

<u>City of Winnipeg balances</u>

As described in Note 6, as at December 31, 2017, the Conservancy has a long-term receivable of $334,235 (2016 - $420,675) from the City relating to employee benefits for CUPE 500 employees who were previously employed by the City.

Included in accounts payable and accrued liabilities at December 31, 2017, are amounts due to the City of $256,950 (2016 - $472,582).

## *11. City of Winnipeg (continued)*

City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue of $10,840,000 (2016 - $10,512,000).

Included in capital assets for the year ending December 31, 2017 are amounts capitalized of $14,980 (2016 - $24,468) relating to building permits and benches which were purchased from the City.

Additionally, during the year, the Conservancy received capital contributions of $5,123,000 (2016 - $5,050,750) from the City of Winnipeg. These amounts have been included as deferred contributions - capital, on the balance sheet, and are recognized into revenue consistent with the amount of amortization calculated on the capital assets that the funding was used to acquire.

Included in direct costs of park revenues are advertising costs paid to the City of $2,704 (2016 - $6,761).

Included in administration expense are licenses, land lease and human resource costs paid to the City of $4,427 (2016 - $7,640). Included in insurance is an insurance deductible paid to the City in the amount of $5,000 (2016 - $nil). Included in operations expense are waste disposal, horticulture, maintenance and fleet costs paid to the City of $69,547 (2016 - $67,460). Included in utilities expense are water costs paid to the City of $227,058 (2016 - $316,266). Included in wages, benefits and contract services are pension plan benefit costs paid to the City of $209,583 (2016 - $230,288).

## *12. Endowments Held by the Winnipeg Foundation*

The Conservancy is the beneficiary of six endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2017. The Winnipeg Foundation retains title to the investments and receives a management fee not to exceed one-half percent of the opening market value of the contributed capital in the Funds at October 1 each year. The Conservancy receives an annual income distribution based on the Foundation's income distribution policy, net of the management fee and investment fees.

The market value of the Funds held on behalf of the Conservancy by The Winnipeg Foundation at December 31 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Lyric Program Fund | **$ 87,017** | $ 83,454 |
| Assiniboine Park Bandshell Inc. Fund | **289,794** | 277,925 |
| Assiniboine Park Zoo Endowment Fund | **21,771** | 20,879 |
| Leo Mol Sculpture Garden Fund | **315,640** | 299,300 |
| Assiniboine Park Conservancy Fund | **60,746** | 57,407 |
| ParkShare Endowment Fund | **467,114** | 162,958 |
| | **$ 1,242,082** | $ 901,923 |

### *12. Endowments Held by the Winnipeg Foundation (continued)*

The purpose of the Lyric Program Fund and the Assiniboine Park Bandshell Inc. Fund is to provide income to support the operation and ongoing maintenance of the Lyric Theatre. The purpose of the Assiniboine Park Zoo Endowment Fund is to provide income to support the operation and on-going maintenance of Assiniboine Park Zoo. The purpose of the Leo Mol Sculpture garden Fund is to upkeep, maintain and sustain the Leo Mol Sculpture Garden located within the Assiniboine Park. The Assiniboine Park Conservancy Fund is designated as a general fund whose income is to be used at the discretion of the Board of Directors of the Conservancy. The ParkShare Endowment Fund provides subsidized accessibility for children, youth and senior groups facing economic barriers to Assiniboine Park and Zoo programming, admissions and transportation.

During the year, the Winnipeg Foundation distributed $32,356 (2016 - $18,481) in income to the Conservancy from these Funds. In addition, $ nil (2016 - $9,612) in income for the Leo Mol Sculpture Fund and $10,438 (2016 - $6,906) in income for the ParkShare Endowment Fund was capitalized. During the year, Assiniboine Park Conservancy Inc. transferred $67,739 (2016 - $65,889) to the Winnipeg Foundation in gifts received from donors in support of the ParkShare Endowment Fund.

### *13. Conservation and Research*

During the year, $70,443 (2016 - $59,573) in deferred Conservation and Research grants and restricted gifts were included in revenue to offset current year Conservation and Research expenses of $70,443 (2016 - $59,573). In addition, operating funds were used to support Conservation and Research activities including animal rescue, research, salaries and supplies in the amount of $274,126 (2016 - $277,201).

In the current year, the Conservancy fundraised and paid funds directly to other Conservation organizations as follows:

| | **2017** | 2016 |
|---|---|---|
| Manitoba Burrowing Owl Recovery Program | $ **110** | $ - |
| Lake Winnipeg Foundation | **817** | - |
| Red Panda Network | **3,600** | 3,300 |
| Southern African Foundation for the Conservation of Coastal Birds | **-** | 1,032 |
| Snow Leopard Trust | **2,435** | 1,868 |
| | **$ 6,962** | $ 6,200 |

### *14. Interfund Transfers and Internally Restricted New Assets*

In the current year, $75,000 (2016 - $150,000) of unrestricted net assets was transferred to the Internally Restricted Fund to support the fiscal stabilization reserve. The internally restricted amounts are not available for unrestricted purposes without approval of the Board of Directors.

### *15. Capital Management*

The objective of the Board of Directors of Assiniboine Park Conservancy Inc., when managing capital, is to safeguard the ability of the Conservancy to continue as a going concern. The Board of Directors considers capital management in two components: First, for the Conservancy's capital activities, capital is raised through government contributions and private sector fundraising. Authorization of capital projects is provided as funding for each redevelopment project is confirmed. Second, for the Conservancy's operating activities, the Board seeks to operate with a modest surplus annually so that sufficient net assets are retained to manage the risk inherent in the Conservancy's expanding operations. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no significant changes to the Board's capital management policy during the past year.

### *16. Non-Monetary Transactions*

During the year, the Conservancy received amounts for operating purposes of $98,447 (2016 - $74,049) without consideration.

The transactions were recorded at the fair value of the goods or services received.

### *17. Pension*

The Conservancy maintains a defined benefit contribution pension plan for its union employees and a group RRSP plan for its non-union employees.

Employees who are part of the CUPE union are members of the Winnipeg Civic Employees Benefits Program. While the plan is a defined benefit pension plan, it is accounted for as a defined contribution plan given that tit is a multi-employer plan which makes it difficult to differentiate the Conservancy's portion.

The Conservancy's pension contribution and expense for the year to the Winnipeg Civic Employees Benefits program plan and the group RRSP plan was $709,027 (2016 - $694,543).

### *18. Commitments*

The Conservancy has entered into a construction management agreement with a construction company to build Canada's Diversity Gardens in the southeast corner of Assiniboine Park. Under the agreement, the construction manager acts as an agent for the Conservancy and tenders, awards, and enters into all legal agreements with the subcontractors. As at December 31, 2017, the construction manager has numerous contractual agreements with subcontractors relating to Canada's Diversity Gardens. The Conservancy has also entered into an agreement with the prime architect for Canada's Diversity Gardens and with other companies for other ongoing capital projects at the Park. Canada's Diversity Gardens is scheduled to be completed in the fall of 2020.

Total contract values committed to under signed agreements as at December 31, 2017, for work to be completed, is $34,187,259 (2016 - $223,731). These amounts are to be paid over the construction period of the projects which are expected to be ready for use in future years.

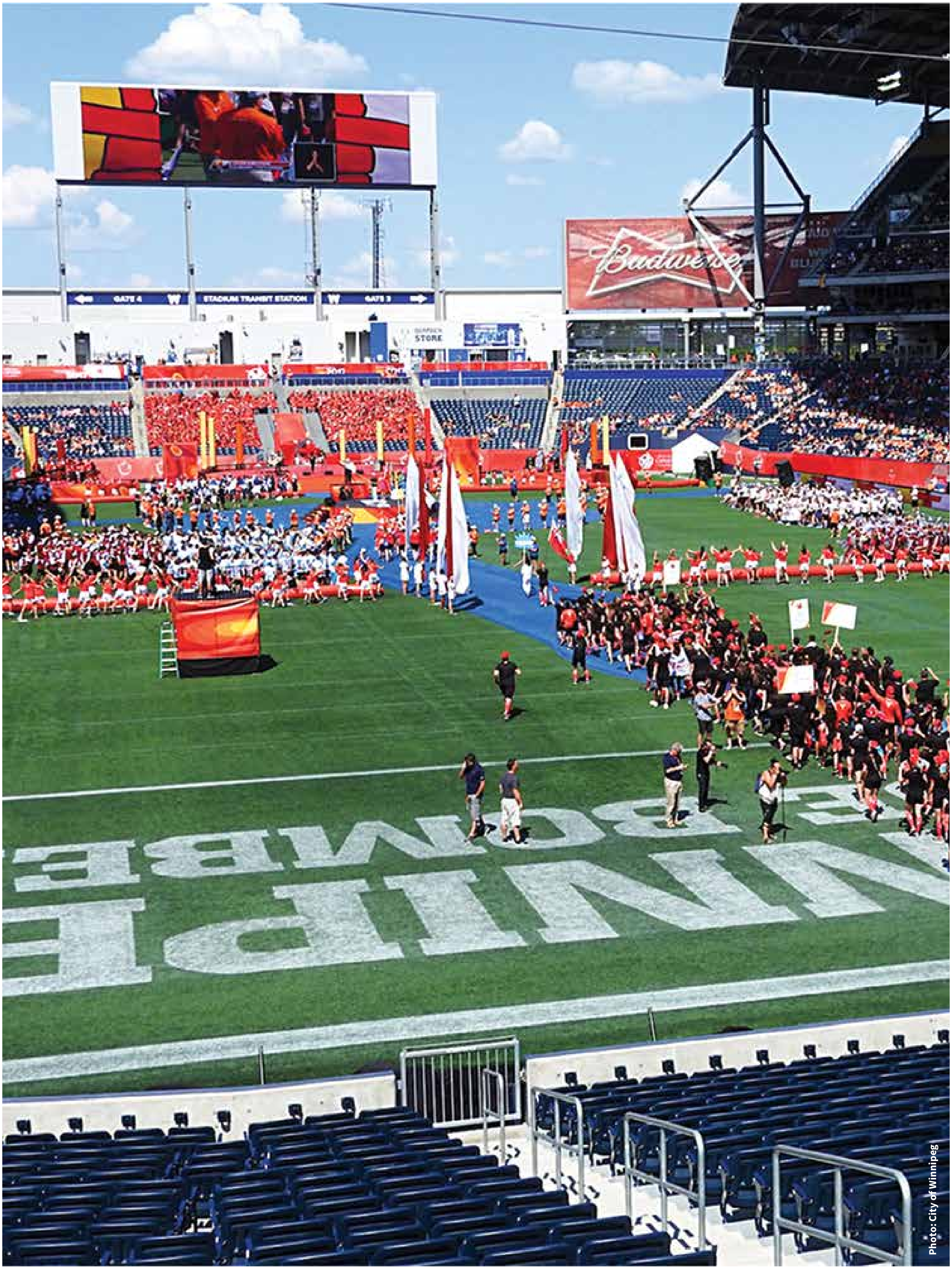


Photo: City of Winnipeg

# 2017 Other
## Detailed Financial Statements

Photo: City of Winnipeg

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF FINANCIAL POSITION

*December 31, 2017 with comparative information for 2016*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Current assets: | | |
| Cash | **$ 1,360,070** | $ 716,741 |
| Investments (Note 3) | **678,422** | 674,325 |
| Accounts receivable | **428,000** | 478,131 |
| Prepaid expenses | **169,902** | 123,483 |
| | **2,636,394** | 1,992,680 |
| Capital assets (Note 4) | **574,711** | 567,809 |
| | **$ 3,211,105** | $ 2,560,489 |
| ***LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS*** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 139,497** | $ 417,622 |
| Deferred rent | **38,452** | 25,967 |
| Deferred lease inducement | **332,305** | 360,000 |
| Deferred contributions: | | |
| Future expenses (Note 5) | **498,548** | 253,758 |
| | **1,008,802** | 1,057,347 |
| Net assets: | | |
| Invested in capital assets | **574,711** | 567,809 |
| Unrestricted | **1,277,592** | 935,333 |
| Internally restricted: | | |
| Appropriated for stabilization fund (Note 6) | **350,000** | - |
| | **2,202,303** | 1,503,142 |
| Commitments (Note 7) | | |
| | **$ 3,211,105** | $ 2,560,489 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF REVENUE AND EXPENDITURES

*Year ended December 31, 2017 with comparative information for 2016*

| | 2017 | 2016 |
|---|---|---|
| ***REVENUE*** | | |
| Funding: | | |
| The City of Winnipeg | **$ 3,490,979** | $ 2,812,200 |
| Province of Manitoba | **1,092,800** | 1,412,000 |
| Partnerships and investors contributions | **1,535,602** | 1,261,435 |
| Interest | **18,985** | 11,188 |
| | **6,138,366** | 5,496,823 |
| ***EXPENDITURES*** | | |
| Initiatives and marketing | **1,881,152** | 1,588,748 |
| Personnel | **2,872,519** | 3,318,371 |
| Administrative | **390,223** | 303,298 |
| Occupancy and facilities | **295,311** | 222,974 |
| | **5,439,205** | 5,433,391 |
| ***EXCESS OF REVENUE OVER EXPENDITURES*** | **$ 699,161** | $ 63,432 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31, 2017 with comparative information for 2016*

| | Invested in Capital Assets | Unrestricted | Internally restricted | 2017 Total | 2016 Total |
|---|---|---|---|---|---|
| Balances, beginning of year | $ **567,809** | $ **935,333** | $ **-** | $ **1,503,142** | $ 1,439,710 |
| Excess (deficiency) of revenue over expenditures | **(87,172)** | **786,333** | **-** | **699,161** | 63,432 |
| Transfer of funds from internally restricted (Note 6) | **-** | **(350,000)** | **350,000** | **-** | - |
| Transfer for acquisition of capital assets | **94,074** | **(94,074)** | **-** | **-** | - |
| Balances, end of year | $ **574,711** | $ **1,277,592** | $ **350,000** | $ **2,202,303** | $ 1,503,142 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF CASH FLOWS

*Year ended December 31, 2017 with comparative information for 2016*

| | 2017 | 2016 |
|---|---|---|
| Cash provided by (used in) | | |
| ***OPERATING ACTIVITIES*** | | |
| Excess of revenue over expenditures | **$ 699,161** | $ 63,432 |
| Items not involving cash: | | |
| Amortization of capital assets | **87,172** | 38,662 |
| Amortization of deferred rent | **12,485** | 17,649 |
| Amortization of deferred lease inducement | **(27,695)** | - |
| Change in non-cash operating working capital: | | |
| Accounts receivable | **300,131** | (40,184) |
| Prepaid expenses | **(46,419)** | 15,885 |
| Accounts payable and accrued liabilities | **(278,125)** | 227,576 |
| Net increase (decrease) in deferred contributions future expenses | **(5,210)** | 24,153 |
| | **741,500** | 347,173 |
| ***CAPITAL ACTIVITIES*** | | |
| Purchase of capital assets | **(94,074)** | (530,604) |
| ***INVESTING ACTIVITIES*** | | |
| Investments, net | **(4,097)** | 171,644 |
| ***INCREASE (DECREASE) IN CASH*** | **643,329** | (11,787) |
| ***CASH, beginning of year*** | **716,741** | 728,528 |
| ***CASH, end of year*** | **$ 1,360,070** | $ 716,741 |
| ***Supplementary cash flow information:*** | | |
| Deferred lease inducement | **$ -** | $ 360,000 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## NOTES TO FINANCIAL STATEMENTS

*Year ended December 31, 2017*

### 1. *General:*

Economic Development Winnipeg Inc. (EDW or the Organization) is the City of Winnipeg's lead Organization for economic development and tourism development. EDW is an arm's length organization led by an independent private sector Board of Directors appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the Organization.

EDW facilitates investment promotion and attraction, capacity building, marketing and the management of market information. EDW leads global investment attraction, and local business retention and expansion through its Yes! Winnipeg sales team. EDW is also responsible for the City's tourism development activities, which it orchestrates through its Tourism Winnipeg team. Tourism Winnipeg's mission is to facilitate a healthy, prosperous, responsible and fully integrated tourism industry that enhances Winnipeg's economic growth.

### 2. *Significant accounting policies:*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

#### a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

#### b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of re-measurement gains and losses until they are realized, when they are transferred to the Statement of Revenue and Expenditures.

The Organization did not incur any re-measurement gains and losses during the year ended December 31, 2017 (2016 - nil) and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Revenue and Expenditures and any unrealized gain is adjusted through the statement of re-measurement gains and losses.

## *2. Significant accounting policies (continued):*

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement gains and losses are reversed and recognized in the Statement of Revenue and Expenditures.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

### c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

| Asset | Rate |
|---|---|
| Computer hardware and software | 2 - 3 years |
| Office furniture and fixtures | 5 years |
| Leasehold improvements | Over the term of the related lease |

### d) Deferred rent:

As part of the Organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease. This lease also has escalating rents which are expensed on a straight-line basis over the period of the lease.

### e) Deferred lease inducement:

The Organization leases its office space. Landlord inducements are deferred and amortized as reductions to rent expense on a straight-line basis over the same period.

### f) Income taxes:

The Organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

### g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## *3. Investments:*

Investments consist of investments in money market instruments aggregating $567,872 (2016 - $563,779) and guaranteed investment certificates aggregating $110,550 (2016 - $110,546). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

## 4. *Capital assets:*

| | Cost | Accumulated Amortization | 2017 Net Book Value | 2016 Net Book Value |
|---|---|---|---|---|
| Computer hardware and software | **$ 160,220** | **$ 81,874** | **$ 78,346** | $ 64,075 |
| Office furniture and fixtures | **192,492** | **62,260** | **130,232** | 125,499 |
| Leasehold improvements | **692,902** | **326,769** | **366,133** | 378,235 |
| | **$ 1,045,614** | **$ 470,903** | **$ 574,711** | $ 567,809 |

## 5. *Deferred contributions - future expenses:*

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

| | 2017 | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 253,758** | $ 229,605 |
| Amounts received during the year | **1,308,260** | 1,016,521 |
| | **1,562,018** | 1,246,126 |
| Less: amounts recognized into revenue in the year | **(1,063,470)** | (992,368) |
| Balance, end of year | **$ 498,548** | $ 253,758 |

Deferred contributions for future expenses are related to the following initiatives:

| | 2017 | 2016 |
|---|---|---|
| Yes! Winnipeg: | | |
| Province of Manitoba funding | **$ 67,500** | $ 135,000 |
| Investors contributions | **138,000** | 100,000 |
| Team Winnipeg | **25,558** | 13,228 |
| Winnipeg Tour Connection | **17,490** | 5,530 |
| Our Winnipeg Initiative | **125,000** | - |
| Open data project | **125,000** | - |
| Balance, end of year | **$ 498,548** | $ 253,758 |

## 6. *Internally restricted:*

Stabilization fund:

The Stabilization Fund was established by the Board of Directors during the year to internally restrict net assets of the organization for funds to be available to compensate for fluctuations in future revenues from government funding or investor contributions. During the year, $350,000 was transferred to the stabilization fund from unrestricted net assets. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

## 7. *Commitments:*

The Organization is committed under leases for office premises for a total of $1,472,000. The minimum lease payments over the next five years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 145,000 |
| 2019 | | 152,000 |
| 2020 | | 153,000 |
| 2021 | | 160,000 |
| 2022 | | 160,000 |

## 8. *Segregated fund:*

The Organization holds funds that are segregated for partners (including the Organization) in a separate account for a special event marketing fund. This fund is held in interest-bearing accounts for the benefit of special event marketing activities. Payments to the special event marketing fund are based on recommendations approved by The City of Winnipeg's council on October 22, 2008.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

| | **2017** | 2016 |
|---|---|---|
| Special event marketing fund: | | |
| Balance, beginning of year | **$ 760,504** | $ 781,507 |
| Funds received during the year | **1,000,000** | 1,117,200 |
| Funds used during the year | **(977,794)** | (1,142,118) |
| Interest earned | **5,320** | 3,915 |
| Balance, end of year, and amount of funds held | **$ 788,030** | $ 760,504 |

The funds of $788,030 held at December 31, 2017 have been committed from the special event marketing fund towards several tourism attractions occurring during fiscal 2018. In addition, the following commitments have been entered into from the special marketing fund towards several tourism attractions utilizing funds to be received within the fiscal years or carried over from the previous fiscal year:

| | | |
|---|---|---|
| 2018 | $ | 416,134 |
| 2019 | | 272,420 |
| 2020 | | 1,015,687 |
| 2021 | | 74,405 |

## 9. *Financial risks:*

The Organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable, cash and investments.

## 9. *Financial risks (continued):*

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at December 31, 2017 is the carrying value of these assets.

At December 31, 2017, all accounts receivable were current. There were no amounts past due.

The maximum exposure to investment credit risk is as disclosed in Note 3.

There have been no significant changes to the credit risk exposure from 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2017.

There have been no significant changes to the liquidity risk exposure from 2016.

## 10. *Defined contribution plan:*

The employees of the Organization are members of a voluntary group registered retirement savings plan administered by RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to $92,701 (2016 - $108,060).

## THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

His Worship the Mayor
and Members of the Council
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of **The City of Winnipeg Charter**, the Sinking Fund Trustees submit the 2017 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net income of $15,943,000 for the year ended December 31, 2017 and a balance of accumulated surplus in the amount of $nil as at December 31, 2017.

The rates of interest earned by the Fund for the years 2008 to 2017 are shown below:

| | |
|---|---|
| 2008..................5.15% | 2013..................3.30% |
| 2009..................4.39% | 2014..................2.13% |
| 2010..................3.81% | 2015..................2.04% |
| 2011..................3.41% | 2016..................1.81% |
| 2012..................2.95% | 2017..................0.97% |

The total reserve for retirement of debenture debt decreased to $60,000,000 as at December 31, 2017 (2016 - $107,872,000) which represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

The Sinking Fund will pay to the City of Winnipeg the amount of levies and other funds actually received by the Fund together with accumulated interest in respect thereof.

As a result of the February 2029 debt being assumed by Manitoba Hydro, the role of the Sinking Fund Trustees is greatly reduced as there are no investments to actively manage. Accordingly, two Sinking Fund Trustees have submitted their resignation to the City of Winnipeg effective December 31, 2017 while a third trustee's appointment has expired (and not been renewed) the same date. City Council has appointed three City of Winnipeg employees to replace them as Sinking Fund Trustees effective January 1, 2018.

Respectfully submitted,

| | |
|---|---|
| **E. STEFANSON** Chairman | **M. RUTA** Trustee |
| **N. THEODOROU** Trustee | **G. STESKI** Trustee |

# THE SINKING FUND TRUSTEES
# OF THE CITY OF WINNIPEG

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Cash and short-term investments (note 3) | **$ -** | $ 1,277 |
| Due from City of Winnipeg | **10** | - |
| Accrued interest receivable | **1,474** | 1,689 |
| Investment in bonds and debentures (note 4 and schedule 1) | **60,000** | 90,603 |
| | **$ 61,484** | $ 93,569 |
| ***LIABILITIES, RESERVE AND ACCUMULATED SURPLUS*** | | |
| Accrued interest payable (note 5) | **$ 1,474** | $ 1,628 |
| Accrued liabilities | **10** | 12 |
| | **1,484** | 1,640 |
| Reserve for retirement of debenture debt (note 6) | **60,000** | 107,872 |
| Accumulated surplus (deficit) | **-** | (15,943) |
| | **$ 61,484** | $ 93,569 |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF INCOME (LOSS)

*For the years ended December 31*
*(in thousands of dollars)*

| | 2017 | 2016 |
|---|---|---|
| Interest income (schedule 2) | **$ 4,803** | $ 4,993 |
| Interest requirements - debenture debt reserves | **(1,221)** | (1,289) |
| Interest requirements - Manitoba Hydro bonds (note 8) | **(4,636)** | (4,790) |
| Deficit of interest earned under requirements | **(1,054)** | (1,086) |
| Contributions from City of Winnipeg: | | |
| Settlement of debt servicing obligations (note 8) | **17,000** | - |
| Contribution towards administration expenses (note 8) | **10** | - |
| | **15,956** | (1,086) |
| Administration expenses | **13** | 115 |
| Net income (loss) for the year | **$ 15,943** | $ (1,201) |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES
# OF THE CITY OF WINNIPEG

## STATEMENT OF ACCUMULATED SURPLUS (DEFICIT)

*For the years ended December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ (15,943)** | $ (14,742) |
| Less: | | |
| Net income (loss) for the year | **15,943** | (1,201) |
| Balance, end of year | **$ -** | $ (15,943) |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES
# OF THE CITY OF WINNIPEG

## STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

*For the years ended December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 107,872** | $ 105,676 |
| Add: | | |
| Instalments - City of Winnipeg (note 8) | **907** | 907 |
| Interest credited - debenture debt reserves | **1,221** | 1,289 |
| | **110,000** | 107,872 |
| Deduct: | | |
| Applied to debt redemption | **(50,000)** | - |
| Balance, end of year | **$ 60,000** | $ 107,872 |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES
# OF THE CITY OF WINNIPEG

## STATEMENT OF CASH FLOWS

*For the years ended December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| ***CASH PROVIDED BY (USED IN)*** | | |
| ***OPERATING ACTIVITIES*** | | |
| Net income (loss) for the year | **$ 15,943** | $ (1,201) |
| Add (deduct) items not impacting cash and short-term investments | | |
| Interest requirements - debenture debt reserves | **1,221** | 1,289 |
| Net bond premium amortization | **149** | 192 |
| Income accrued - bond residues and coupons | **(19)** | (21) |
| Settlement of debt servicing obligation (note 8) | **(17,000)** | - |
| | **294** | 259 |
| Change in non-cash operating accounts | **49** | (2) |
| | **343** | 257 |
| ***FINANCING ACTIVITIES*** | | |
| Applied to debt redemption (note 8) | **(33,000)** | - |
| Instalments - City of Winnipeg (note 8) | **907** | 907 |
| | **(32,093)** | 907 |
| ***INVESTING ACTIVITIES*** | | |
| Acquisition of investments in bonds and debentures | **(303)** | - |
| Proceeds from bond and debenture sales | **1,505** | - |
| Proceeds from bond and debenture maturities | **29,271** | - |
| | **30,473** | - |
| Increase (decrease) in cash and short-term investments | **(1,277)** | 1,164 |
| Cash and short-term investments, beginning of period | **1,277** | 113 |
| Cash and short-term investments, end of period | **$ -** | $ 1,277 |
| Cash and short-term investments consists of: | | |
| Cash | **$ -** | $ 188 |
| Short-term investments | **-** | 1,089 |
| | **$ -** | $ 1,277 |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES
# OF THE CITY OF WINNIPEG

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2017*
*(in thousands of dollars)*

### 1. *Status of The Sinking Fund Trustees of The City of Winnipeg*

The Sinking Fund Trustees of The City of Winnipeg ( the " Fund " ) was established as a body corporate by subsection 314(1) of The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ( " the province " ). The City of Winnipeg Act was repealed by the province effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the province. Under section 520 of The City of Winnipeg Charter, The Sinking Fund Trustees continue to have the same rights and obligations as outlined under the former City of Winnipeg Act for Sinking Fund debentures issued prior to December 31, 2002 and any future refinancing of these debentures.

### 2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

The significant accounting policies are summarized as follows:

**a) Investment in bonds and debentures**

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield on the investment.

For these bonds and debentures, which are measured at amortized cost, the Fund recognizes in net income an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

**b) Use of estimates**

Financial statements prepared in accordance with Canadian Accounting Standards for Private Enterprises require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Actual results could differ from these estimates.

### 3. *Cash and Short-Term Investments*

Cash is held on deposit with a major Canadian Chartered Bank.

Short-term investments represent short-term debt securities of Schedule 1 Canadian Chartered Banks with a term to maturity of less than one year.

## 4. *Interest Rate and Credit Risk*

### a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2017 was 0.97% (2016 - 1.81%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2017 are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| **Term To Maturity** | **Par Value** | **Book Value** | Par Value | Book Value |
| Less than one year | **$ -** | **$ -** | $ 30,480 | $ 30,603 |
| Greater than five years | **60,000** | **60,000** | 60,000 | 60,000 |
| | **$ 60,000** | **$ 60,000** | $ 90,480 | $ 90,603 |

### b) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2017 the Fund's maximum credit risk exposure at fair market value was $60,000 (2016 - $93,429).

The Fund limits credit risk by investing in short-term investments, bonds and debentures of investees that are considered to be high quality credits (rated A or higher) and by monitoring compliance with the Fund's Statement of Investment Policies and Procedures.

## 5. *Purchase of Winnipeg Hydro by Manitoba Hydro*

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and The Purchase of Winnipeg Hydro Act, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to:

a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non- transferable and non-redeemable prior to maturity.

## 5. *Purchase of Winnipeg Hydro by Manitoba Hydro (continued)*

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2017 amounted to $60,000 (2016 - $80,000).

b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

Accrued interest receivable and identical offsetting accrued interest payable on the Manitoba Hydro bonds amounted to $1,474 at December 31, 2017 (2016 - $1,628).

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund instalments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

## 6. *Reserve for Retirement of Debenture Debt*

As at December 31, 2017 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

| | Amortized Cost | | |
|---|---|---|---|
| Maturity Year | Hydro Portion | Total | Maturity Value |
| 2029 | $ 60,000 | $ 60,000 | $ 60,000 |

The amortized cost of the reserve for retirement of debenture debt is calculated using an assumed annual discount rate of 5% which was set by The City of Winnipeg in the applicable Sinking Fund Debenture By-laws.

As at December 31, 2017, the reserve for retirement of debenture debt includes $60,000 (2016 - $80,000) representing full funding of all future Sinking Fund instalments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

## 7. *Capital*

The Fund's objectives when managing capital are:

a) To pay The City of Winnipeg at or before the maturity of each respective sinking fund debenture all amounts collected by way of levy together with interest earned thereon.

b) To invest all levies received in accordance with the guidelines outlined in the Fund's Statement of Investment Policies and Procedures in order to maximize the investment return on the Fund within the allowable level of risk mandated by The City of Winnipeg Act.

The fund invests in securities with maturities which closely match the current sinking fund debenture maturity dates.

## 8. *Related Party Transactions*

The Sinking Fund and The City of Winnipeg entered into an Investment Management Agreement on April 1, 2011, whereby the City of Winnipeg provides investment management and administrative services to the Fund for an annual management fee. The Fund is the managed party under the Investment Management Agreement.

For the year ended December 31, 2017, the Fund and the City of Winnipeg entered into the following transactions which were all in the normal course of operations for the Fund:

The City of Winnipeg paid $907 (2016 - $907) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid $184 (2016 - $176) of coupon interest to the Fund on City of Winnipeg debentures held by the Fund. The coupon interest payments were at fair value.

The Fund paid $4,636 (2016 - $4,790) of Manitoba Hydro Electric Board bond coupon interest to the City of Winnipeg. These coupon interest payments were at the amount prescribed by The Purchase of Winnipeg Hydro Act.

The Fund paid $33,000 (2016 - $nil) to the City of Winnipeg in respect of debentures maturing. The Fund will pay to the City of Winnipeg the amount of levies actually received by the Fund together with accumulated interest in respect thereof.

The City of Winnipeg paid $17,000 (2016 - $nil), on behalf of the Fund, to retire debenture debt. In the event of a Sinking Fund deficit at the maturity of a Sinking Fund issue, The City of Winnipeg Charter, Section 304(2), authorizes The City of Winnipeg, if it so chooses, to apply to the Minister of Finance to borrow an amount of money sufficient to discharge the Sinking Fund debt in full.

The Fund paid investment management fees of $nil (2016 - $100) to the City of Winnipeg.

The City of Winnipeg contributed $10 (2016 - $nil) towards administration expenses.

As approved by the City of Winnipeg's Council on September 27, 2017, the shortfall to retire the debenture maturities in November 2017, in the amount of approximately $17,000, was to be funded by the City of Winnipeg, thus settling this obligation. In addition, Council approved the foregoing of investment management fees that were charged by the City of Winnipeg to the Fund, in the amount of $100 per year. Furthermore, the City of Winnipeg will absorb the administrative costs associated with the Fund.

## THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

**Schedule 1**

### SCHEDULE OF INVESTMENTS

*As at December 31*
*(in thousands of dollars)*

| | 2017 | | | | | 2016 | |
|---|---|---|---|---|---|---|---|
| | Par Value | Market Value | % | Book Value | % | Book Value | % |
| ***Investment in bonds and debentures*** | | | | | | | |
| Provincial and Provincial guaranteed (notes 5 and 6) | **$ 60,000** | **$ 60,000** | **100** | **$ 60,000** | **100** | $ 83,822 | 93 |
| Municipal | **-** | **-** | **-** | **-** | **-** | 2,670 | 3 |
| City of Winnipeg | **-** | **-** | **-** | **-** | **-** | 2,935 | 3 |
| | **$ 60,000** | **60,000** | **100** | **60,000** | **100** | 89,427 | 99 |
| ***Bond residues and coupons*** | | | | | | | |
| City of Winnipeg | | **-** | **-** | **-** | **-** | 1,176 | 1 |
| | | **$ 60,000** | **100** | **$ 60,000** | **100** | $ 90,603 | 100 |

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

**Schedule 2**

## SCHEDULE OF INTEREST INCOME

*For the years ended December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| Interest on bonds and debentures | **$ 4,884** | $ 5,162 |
| Bank and short-term investments interest | **47** | 1 |
| Income accrued - bond residues and coupons | **19** | 21 |
| Securities lending income | **2** | 1 |
| Net bond premium amortization | **(149)** | (192) |
| | **$ 4,803** | $ 4,993 |

# THE CITY OF WINNIPEG
# SINKING FUND

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Investment in bonds and debentures (Schedule 1) | **$ 98,428** | $ 82,444 |
| Call loans - General Revenue Fund (Note 3) | **869** | 4,269 |
| Accrued interest receivable | **804** | 750 |
| | **$ 100,101** | $ 87,463 |
| ***LIABILITIES*** | | |
| Premium on Long Term Debt (Note 5) | **$ 32,696** | $ 33,781 |
| ***RESERVE*** | | |
| Reserve for retirement of debenture debt | **67,405** | 53,682 |
| | **$ 100,101** | $ 87,463 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SINKING FUND

## STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 53,682** | $ 42,182 |
| Add: | | |
| Installments - General Revenue Fund | **4,187** | 3,404 |
| Installments - Waterworks System | **2,836** | 2,836 |
| Interest income (Schedule 2) | **2,634** | 2,099 |
| Installments - Reserves | **1,484** | 1,371 |
| Installments - Transit System | **1,264** | 1,264 |
| Installments - Municipal Accommodations | **624** | 624 |
| Installments - Sewage Disposal System | **453** | - |
| Gain on sale of assets | **316** | 91 |
| Installments - Solid Waste Disposal System | **163** | - |
| | **67,643** | 53,871 |
| Deduct: | | |
| Transfer to General Revenue Fund - investment management fees | **238** | 189 |
| Balance, end of year | **$ 67,405** | $ 53,682 |

*See accompanying notes and schedules to the financial statements*

### 1. *Status of The City of Winnipeg Sinking Fund*

The City of Winnipeg Act was repealed by the Province of Manitoba ("Province") effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the Province. Under the new charter the Public Service became responsible for managing the sinking funds of any sinking fund debenture issued after January 1, 2003.

### 2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with the significant accounting policies summarized as follows:

#### a) Bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

#### b) Bond residues and coupons

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

### 3. *Call Loans - General Revenue Fund*

Call loans represent short-term investments held by the General Revenue Fund which are callable by The City of Winnipeg Sinking Fund ("Fund") upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

### 4. *Interest Rate and Credit Risk*

#### a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2017 was 3.2% (2016 - 3.6%).

### *4. Interest Rate and Credit Risk (continued)*

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2017 are as follows:

| **Term To Maturity** | **Par Value** | **Book Value** |
|---|---|---|
| Greater than five years | $ 92,380 | $ 98,428 |

**b) Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2017 the Fund's maximum credit risk exposure at fair market value was $108,511 thousand.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy adopted by City Council.

### *5. Debt*

Included in the Statement of Financial Position is a premium on long term debt issued between 2012 and 2016 offset by investments that will be used for making semi-annual debt service payments on the sinking fund debentures.

# THE CITY OF WINNIPEG
# SINKING FUND

**Schedule 1**

## SCHEDULE OF INVESTMENTS

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | | | | | **2016** | |
|---|---|---|---|---|---|---|---|
| | **Par Value** | **Market Value** | **%** | **Book Value** | **%** | Book Value | % |
| ***Investment in bonds and debentures*** | | | | | | | |
| Other Municipalities | **$ 55,113** | **$ 63,290** | **59** | **$ 58,752** | **60** | $ 47,244 | 57 |
| City of Winnipeg | **22,667** | **27,964** | **26** | **25,159** | **25** | 25,220 | 31 |
| Provincial and Provincial guaranteed | **14,600** | **15,585** | **15** | **14,517** | **15** | 9,980 | 12 |
| | **$ 92,380** | **$ 106,839** | **100** | **$ 98,428** | **100** | $ 82,444 | 100 |

# THE CITY OF WINNIPEG
# SINKING FUND

**Schedule 2**

## SCHEDULE OF INTEREST INCOME

*For the years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| Interest on bonds and debentures | **$ 2,624** | $ 2,094 |
| Call fund interest | **10** | 5 |
| | **$ 2,634** | $ 2,099 |

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at March 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash | **$ 1,353,336** | $ 27,053 |
| Restricted cash (Note 4) | **-** | 120,808 |
| Short term investments | **5,622,762** | 9,119,943 |
| Accounts receivables (Note 5) | **524,011** | 545,386 |
| Inventory | **15,392** | - |
| Current portion of tenant receivables | **-** | 4,765 |
| Current portion of receivable from developers (Note 6) | **97,969** | 104,600 |
| Prepaids and other | **355,498** | 156,100 |
| | **7,968,968** | 10,078,655 |
| Non-current | | |
| Property and equipment (Note 7) | **15,760,239** | 14,804,178 |
| Investments in properties and infrastructure enhancements (Note 8) | **57,878,720** | 57,689,558 |
| Long-term portion of tenant receivables | **-** | 5,414 |
| Receivable from developers (Note 6) | **714,709** | 1,021,991 |
| Total assets | **$ 82,322,636** | $ 83,599,796 |
| ***LIABILITIES*** | | |
| Current | | |
| Trade and other payables (Note 9) | **$ 2,946,788** | $ 3,035,860 |
| Funds held in trust | **161,409** | 261,843 |
| Deferred revenue | **131,794** | 138,411 |
| Current portion of long-term debt (Note 10) | **423,013** | 399,648 |
| | **3,663,004** | 3,835,762 |
| Non-current | | |
| Long-term debt (Note 10) | **9,784,602** | 10,207,938 |
| Prepaid land rents | **626,786** | 509,872 |
| Deferred contributions | **11,322,115** | 12,481,964 |
| | **25,396,507** | 27,035,536 |
| ***SHAREHOLDERS' EQUITY*** | | |
| Share capital (Note 11) | **3** | 3 |
| Retained earnings | **9,615,860** | 9,244,991 |
| Donated land (Note 13) | **8,000,000** | 8,000,000 |
| Contributed surplus | **39,310,266** | 39,310,266 |
| | **56,926,129** | 56,555,260 |
| | **$ 82,322,636** | $ 83,590,796 |

*See accompanying notes to the consolidated financial statements.*

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

*For the year ended March 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***REVENUE*** | | |
| Parking | **$ 6,748,201** | $ 6,559,895 |
| The Forks Market | **3,228,604** | 2,250,680 |
| Events, sponsorship, grants and recoveries | **1,388,335** | 1,243,764 |
| Lease | **1,307,205** | 1,323,469 |
| Rental | **364,287** | 231,427 |
| Investment income | **244,659** | 316,766 |
| | **13,281,291** | 11,926,001 |
| ***EXPENSES*** | | |
| Parking | **2,634,038** | 2,650,251 |
| The Forks Market | **2,835,837** | 2,166,298 |
| The Forks Site and events | **2,233,006** | 2,073,198 |
| Rental | **134,979** | 99,617 |
| Investment costs | **74,836** | 105,534 |
| Planning and development | **211,512** | 138,812 |
| Marketing and communications | **370,396** | 404,134 |
| General and administrative | **2,178,954** | 1,978,502 |
| Prior year expense | **105,351** | 291,386 |
| Security services | **125,700** | 149,758 |
| | **10,904,609** | 10,057,490 |
| ***OPERATING INCOME BEFORE THE FOLLOWING*** | **2,376,682** | 1,868,511 |
| ***OTHER EXPENSES (INCOME)*** | | |
| Interest on long-term debt | **589,947** | 612,137 |
| Unrealized gains (loss) on short-term investments | **(336,331)** | 342,487 |
| (Gain) loss on disposal of property and equipment | **27,179** | (2,500) |
| Depreciation and amortization | **2,619,841** | 2,241,583 |
| Amortization of deferred contributions | **(1,159,849)** | (1,159,849) |
| Donations | **265,026** | 246,189 |
| | **2,005,813** | 2,280,047 |
| ***PROFIT (LOSS)*** | **$ 370,869** | $ (411,536) |

*See accompanying notes to the consolidated financial statements.*

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended March 31, 2017*

| | Share Capital | Donated Land | Contributed Surplus | Retained Earnings | 2017 Total | 2016 Total |
|---|---|---|---|---|---|---|
| **Balance, beginning of year** | **$ 3** | **$ 8,000,000** | **$ 39,310,266** | **$ 9,244,991** | **$ 56,555,260** | $ 56,966,796 |
| Net income (loss) | **-** | **-** | **-** | **370,869** | **370,869** | (411,536) |
| **Balance, end of year** | **$ 3** | **$ 8,000,000** | **$ 39,310,266** | **$ 9,615,860** | **$ 56,926,129** | $ 56,555,260 |

*See accompanying notes to the consolidated financial statements.*

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended March 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| Cash provided by (used for) the following activities | | |
| **OPERATING ACTIVITIES** | | |
| Profit (loss) | **$ 370,869** | $ (411,536) |
| Depreciation and amortization | **2,619,842** | 2,241,583 |
| Amortization of prepaid finance costs | **3,788** | - |
| Amortization of deferred contributions | **(1,159,849)** | (1,159,849) |
| (Gain) loss on disposal of property, plant, and equipment | **27,179** | (2,500) |
| Unrealized loss from short-term investments | **691,105** | 342,488 |
| Gain on sale of short-term investments | **(1,027,437)** | (312,827) |
| | **1,525,497** | 697,359 |
| **Changes in working capital accounts** | | |
| Accounts receivable | **21,375** | 89,647 |
| Restricted cash | **120,808** | (97,436) |
| Inventory | **(15,392)** | - |
| Prepaids and other | **(199,398)** | 22,774 |
| Trade and other payables | **(89,071)** | 520,726 |
| Funds held in trust | **(238,845)** | 181,460 |
| | **1,124,974** | 1,414,530 |
| **FINANCING ACTIVITIES** | | |
| Repayment of long term debt | **(403,759)** | (383,511) |
| Prepaid land rents | **116,914** | (39,337) |
| Deferred revenue | **131,794** | (56,091) |
| | **(155,051)** | (478,939) |
| **INVESTING ACTIVITIES** | | |
| Purchase of property and equipment and Infrastructure enhancements | **(4,316,762)** | (6,794,056) |
| Proceeds from disposition of short term investments (net) | **3,833,512** | 5,065,074 |
| Developer receivables advanced | **-** | (1,405,101) |
| Proceeds from repayment of tenant receivables | **10,179** | 14,584 |
| Proceeds from repayment of developer receivables | **304,913** | 287,510 |
| Funds received for investment properties | **-** | 1,405,101 |
| Funds received for property and equipment | **383,200** | - |
| Proceeds from disposal of property and equipment | **141,318** | 2,500 |
| | **356,360** | (1,424,388) |
| **Increase (decrease) in cash** | **1,326,283** | (488,797) |
| **CASH, beginning of year** | **27,053** | 515,850 |
| **CASH, end of year** | **$ 1,353,336** | $ 27,053 |

*See accompanying notes to the consolidated financial statements.*

# NORTH PORTAGE DEVELOPMENT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended March 31, 2017*

### 1. *Nature of operations*

**Mission**

The mission of the organization is to act as a catalyst, encouraging activities for people in the downtown area through public and private partnerships and revitalization strategies, and to work to ensure financial self-sufficiency.

North Portage Development Corporation shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, educational and entertainment facilities.

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential and institutional and supportive commercial uses.

**Company background**

North Portage Development Corporation (the "Company" or "NPDC") was incorporated under the Corporations Act of Manitoba on December 13, 1983 and owns land and parking facilities in the North Portage area of Winnipeg, Canada. NPDC is owned equally by the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks Winnipeg, Canada, and operates The Forks Market.

Manitou Theatre Management Ltd. ("MTML"), previously named North Portage Theatre Corporation, a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of MTML, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operated the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

The head office for NPDC is 123 Main Street, Winnipeg, Canada.

The financial statements for the year ended March 31, 2017 were approved by the Board of the Company on June 23, 2017.

## 2. *Basis of presentation*

### Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, under the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in the notes.

### Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is Company's functional currency. All financial information presented in Canadian dollars.

### Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimated is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Future changes to significant accounting policies

The following standards will be effective for subsequent annual periods. The Company is currently evaluating the impact of these standards on its Financial Statements:

(i) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for years beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as the single approach to classifying financial assets is not expected to result in a reclassification of the Company's assets; changes to financial liabilities do not apply and the provisions on impairment and hedge accounting do not apply.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. Management is assessing the impact of these changes.

## 2. *Basis of presentation (continued)*

**Future changes to significant accounting policies (continued)**

(iii) IFRS 16 - Leases

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however remains largely unchanged and the distinction between operating and finance lease is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Management is assessing the impact of these changes.

(iv) IAS 40 - Investment Property ("IAS 40")

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing IAS 40 requirements. The amendment requires that an asset be transferred to, or from investment property when, and only when, there is an change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as a result of the clarifications in the amendment.

## 3. *Summary of significant accounting policies*

Except as noted above, the following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

**Basis of consolidation**

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries. Subsidiaries include: The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and Manitou Theatre Management Ltd.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The Company determines whether it is a parent by assessing whether it controls an investee. The company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

**Statement of compliance**

The financial statement of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently in all material respects.

## 3. *Summary of significant accounting policies (continued)*

### Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the item's fair value was determined. Translation gains and losses are included in profit or loss.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

*Rental and parking income*

Rental income (including The Forks Market revenue) and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

*Investment income*

Investment income is recognized over the passage of time using the effective interest method.

*Events, sponsorship, grants and recoveries*

Events, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

*Deferred revenue*

Consists of advance payments received and is recognized as revenue in the period in which the related event occurs.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks, net of any outstanding cheques. Cash subject to restrictions that prevent it use for current purposes is included in restricted cash.

### Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

## *3. Summary of significant accounting policies (continued)*

**Property and equipment (continued)**

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The methods of depreciation and useful life applicable for each class of asset during the current and comparative period are as follows:

| | Method | Rate |
|---|---|---|
| Plant and equipment | straight line | 3-40 years |
| Equipment under finance lease | straight line | 5 years |

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

**Property under construction**

Items of property under construction are recorded at cost and are not amortized until they are complete and transferred to the appropriate category of asset.

**Impairment of tangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income.

**Investment in properties and infrastructure enhancements**

Investment in properties and infrastructure enhancements are initially recognized at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

| | Method | Rate |
|---|---|---|
| Buildings | straight line | 20-40 years |
| Infrastructure enhancements | straight line | 40 years |

## *3. Summary of significant accounting policies (continued)*

### Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition or construction of a qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

Borrowing costs are capitalized into the cost of qualifying assets until they are ready for their intended use or sale. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

### Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

*The Company as lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

<u>Land rents</u>

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the passage of time for which the amount is received.

*The Company as lessee*

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

## 3. *Summary of significant accounting policies (continued)*

*The Company as lessee (continued)*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

***Financial instruments***

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "account receivables", "tenant receivables" and "receivable from developer". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

*Short term investments*

Short term investments consist of GIC, short term investments, and active market equities. Investments are held for trading and are initially recognized at fair value and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

***Financial liabilities measure at amortized cost***

The Company has classified the following financial liabilities as financial liabilities measure at amortized cost: trade and other payables, funds held in trust, and long-term debt. These liabilities are initially recognized at their fair value. Total interest expense, calculated using the effective interest rate method, is recognized in profit (loss). Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classifies as non-current liabilities.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

*Derecognition of financial liabilities*

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in comprehensive income.

## 3. *Summary of significant accounting policies (continued)*

### *Financial asset impairment*

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers whether there is objective evidence that a financial asset is impaired. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in the statement of comprehensive income.

### *Provisions*

A provision is recognized, if, as a result of a past event, The Company has a legal or constructive obligation that can be estimated reliably and its is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlements is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

### *Government grants*

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses as related costs for which funded expenditures are incurred. Government grants recognized when there is reasonable assurance that the Company will comply with the terms and conditions associated with the grants and the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### *Inventories*

Inventories are valued at the lower of cost and net realized value. Cost is determined by the weighted average method. Cost comprises all costs of purchases, costs of conversion and other costs are incurred in bringing inventories to their present location and condition.

## 4. *Restricted cash*

Restricted cash consists of cash held in trust for projects undertaken on behalf of third parties. The Company is managing the accounting and cash disbursement aspect of these projects. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

## *5. Accounts receivable*

| | 2017 | 2016 |
|---|---|---|
| Trade receivables | **$ 275,288** | $ 358,323 |
| Allowance for doubtful debts | **(9,715)** | (25,184) |
| Goods and services tax receivable | **7,910** | 66,039 |
| Interest receivable | **250,528** | 146,208 |
| | **$ 524,011** | $ 545,386 |

The credit period on sale of goods and services is 30 days. The Company has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

Aging of trade receivables that are past due but not impaired:

| | 2017 | 2016 |
|---|---|---|
| 31-60 days | **$ 18,335** | $ 114,575 |
| 61-90 days | **57,296** | 36,353 |
| 91+ days | **71,794** | 167,496 |
| | **$ 147,425** | $ 318,424 |

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

In respect of other receivables, the Company is not exposed to any significant credit risk to any single counterparty.

## *6. Receivable from developers*

Amounts consist of the repayment of the rehabilitation costs from the developers adjacent to the streets located on the North Portage site. The below balances are unsecured.

| | 2017 | 2016 |
|---|---|---|
| Receivable from developers bearing interest at 5%, repayable at $11,702 per months (2016 - $13,164), maturing January 2024. | **$ 812,678** | $ 1,117,591 |
| Current portion of receivable from developers | **(97,969)** | (104,600) |
| | **$ 714,709** | $ 1,012,991 |

## 7. *Property and equipment*

| | 2017 | 2016 |
|---|---|---|
| Land | **$ 9,058,281** | $ 9,058,281 |
| Property under construction | **589,479** | 357,798 |
| Plant and equipment | **6,052,390** | 5,263,122 |
| Equipment under finance lease | **60,089** | 124,977 |
| Net book value | **$ 15,760,239** | $ 14,804,178 |

For additional information, see the Consolidated Schedule of Property, Plant and Equipment (Schedule 1).

## 8. *Investment in properties and infrastructure enhancements*

| | 2017 | 2016 |
|---|---|---|
| Land | **$ 27,671,572** | $ 27,671,572 |
| Building | **16,770,684** | 14,323,483 |
| Property under construction | **1,480,504** | 2,958,578 |
| Infrastructure enhancements | **11,955,960** | 12,735,925 |
| Net book value | **$ 57,878,720** | $ 57,689,558 |

For additional information, see the Consolidated Schedule of Investment in Properties and Infrastructure Enhancements (Schedule 2).

## 9. *Trade and other payables*

| | 2017 | 2016 |
|---|---|---|
| Trade accounts payables | **$ 852,641** | $ 689,124 |
| Accrued liabilities | **2,094,147** | 2,346,736 |
| | **$ 2,946,788** | $ 3,035,860 |

The average credit period on purchases is 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.

## 10. *Long-term debt*

| | 2017 | 2016 |
|---|---|---|
| Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on September 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc. | **$ 10,263,154** | $ 10,666,913 |
| Less: current portion | **423,013** | 399,648 |
| Less: financing fees | **55,539** | 59,327 |
| | **$ 9,784,602** | $ 10,207,938 |

## *10. Long-term debt (continued)*

Principal repayment on long-term debt in each of the next five years are estimated as follows:

| | |
|---|---|
| 2018 | $ 419,225 |
| 2019 | 451,519 |
| 2020 | 477,669 |
| 2021 | 505,333 |
| 2022 | 534,560 |
| Thereafter | 7,874,848 |
| | $ 10,263,154 |

## *11. Share capital*

| | **2017** | 2016 |
|---|---|---|
| Common shares 3 (2016-3) | **$ 3** | $ 3 |

## *12. Government contribution*

| | **2017** | 2016 |
|---|---|---|
| Amounts included in deferred contributions | **$ 11,322,115** | $ 12,481,964 |
| Contributions received in the year | **657,886** | 94,076 |
| Amounts recognized in income in prior years | **71,158,548** | 69,998,699 |
| Annual amortization of deferred contributions | **1,159,849** | 1,159,849 |
| Amounts recognized in income in the current year | **(282,486)** | (94,076) |
| Donated land | **8,000,000** | 8,000,000 |
| Contributed surplus | **39,310,266** | 39,310,266 |
| | **$ 131,326,178** | $ 130,950,778 |

## *13. Donated land*

The Company acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

| | **Government of Canada** | **City of Winnipeg** | **From Core Area Initiative** | **Total** |
|---|---|---|---|---|
| Acres | 49.0 | 3.9 | 3.0 | 55.9 |

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the FRC Board of Corporation on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to The City of Winnipeg. During 2003, 0.5 acres of donated land were transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg. The remaining lands under FRC's ownership are 49.95 acres.

## 14. *Operating lease arrangements*

***The Company as lessee***

*Leasing arrangements*

Operating leases relate to leases of land with terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have an option to purchase the leased land at the expiry of the lease.

| | **2017** |
|---|---|
| *Minimum lease payments* | **$ 236,002** |

***The Company as lessor***

Operating leases relate to the investment property owned by the Company with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Total lease revenue received was $1,307,205 (2016 - $1,323,469).

## 15. *Commitments*

The Company has an obligation to operate Imax Theatre at Portage Place for a 50 years period, ending in 2035 with annual payments of $27,400.

FRC has leased parking, storage and an office site at The Forks to December 2017. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of $3,333 and provides for payment of utilities and property taxes.

## 16. *Related party transactions*

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

**Compensation of key management personnel**

The remuneration of key management personnel during the year was as follows:

| | **2017** | 2016 |
|---|---|---|
| Wages and other short-term benefits | **$ 693,015** | $ 692,878 |

## *17. Management Capital*

The Company's capital consists of contributed surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The capital structure of the Company is comprised of the following:

| | **2017** | 2016 |
|---|---|---|
| Total debt and deferred shareholder contributions | **$ 21,529,730** | $ 23,089,551 |
| Shareholders' equity | **56,926,130** | 56,555,260 |
| | **$ 78,455,860** | $ 79,644,811 |

The Company's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Company prepares a budget each year, allocating expenses to revenue they expect to earn and funding its expects to receive.

The Company monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Company to reduce the cost of capital. An investment policy is in place to guide the Company in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

## *18. Financial instruments*

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

*Credit Risk*

Credit risk is the risk of financial loss because a counter party to a financial instruments fails to discharge its contractual obligations.

The maximum exposure of the Company to credit risk as of March 31, 2017 is $1,336,689 (2016 - $1,673,156).

The Company is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

*Foreign currency risk*

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## 18. *Financial instruments (continued)*

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through normal operating and financing activities.

The Company is exposed to interest rate risk with respect to cash, investments and long-term debt.

**Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company does not have any financial instruments in the Level 3 category and there were no transfers between Levels during the year.

The short term investments would be classified as Level 1. The carrying value of short term investments is valued based upon the market to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The Company's Level 2 financial instruments consist of accounts receivable, trade and other payables receivable from developers, long-term debt and funds held in trust whose carrying value approximate their fair value due to the immediate or short-term nature maturity of these instruments.

**Financial instruments measured at amortized cost for which the fair value is disclosed**

The fair value of the long term receivables and long term debt are impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The fair value of the long term receivables and long term debt have been estimated based on the current market rates for mortgages and loans of similar terms and conditions.

The estimated fair value at March 31, 2017 of the receivable from developers is $714,711 (2016 - $1,157,478).

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and service on credit, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

## 18. *Financial instruments (continued)*

*Liquidity risk (continued)*

Contractual maturities of long-term are disclosed in Note 10.

| | **< 1 year** | **1-2 years** | **> 3 years** | **Total** |
|---|---|---|---|---|
| Trade and other payables | 2,946,787 | - | - | **2,946,787** |
| Funds held in trust | 161,409 | - | - | **161,409** |
| Deferred revenue | 131,794 | - | - | **131,794** |
| Prepaid land rents | 133,086 | 16,173 | 477,527 | **626,786** |
| Deferred contributions from | | | | **-** |
| shareholders | 1,159,849 | 2,319,698 | 7,842,568 | **11,322,115** |
| Total | 4,532,925 | 2,335,871 | 8,320,095 | **15,188,891** |

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.  The Company enters into transaction for short-term investments, for which the market price fluctuates.

## 19. *Comparative figures*

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.  The comparative figures affected on the Consolidated income statement were: The Forks Market, Events sponsorships, grants and recoveries, Investment income, The Forks Site and Events, Rental, General and administrative, and Advertising and promotion.

# NORTH PORTAGE DEVELOPMENT CORPORATION

Schedule 1

## CONSOLIDATED SCHEDULE OF PROPERTY AND EQUIPMENT

| | Land | Property under Construction | Plant and Equipment | Equipment Under Finance Lease | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance March 31, 2016 | $ 9,058,281 | $ 357,798 | $ 24,000,020 | $ 2,151,244 | $ 35,567,343 |
| Additions | - | 1,201,911 | 1,308,946 | - | 2,510,857 |
| Disposals | - | (143,681) | (943,209) | (1,508,207) | (2,595,097) |
| Grants received for assets | - | (383,200) | - | - | (383,200) |
| Transfer to plant and equipment | - | (205,355) | 205,355 | - | - |
| Transfer to investment in properties and infrastructure enhancements | - | (237,994) | - | - | (237,994) |
| Balance March 31, 2017 | **9,058,281** | **589,479** | **24,571,112** | **643,037** | **34,861,909** |
| **Depreciation and impairment losses** | | | | | |
| Balance March 31, 2016 | - | - | 18,736,898 | 2,026,267 | 20,763,165 |
| Depreciation change for the year | - | - | 700,217 | 64,888 | 765,105 |
| Disposals | - | - | (918,393) | (1,508,207) | (2,426,600) |
| Balance March 31, 2017 | - | - | **18,518,722** | **582,948** | **19,101,670** |
| **Net book value** | | | | | |
| Balance March 31, 2017 | **$ 9,058,281** | **$ 589,479** | **$ 6,052,390** | **$ 60,089** | **$ 15,760,239** |

# NORTH PORTAGE DEVELOPMENT CORPORATION

Schedule 2

## CONSOLIDATED SCHEDULE OF INVESTMENT
## IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

| | Land | Building | Property under Construction | Infrastructure Enhancements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance March 31, 2016 | $ 28,203,066 | $ 22,253,398 | $ 2,958,578 | $ 57,494,587 | $ 110,909,629 |
| Additions | - | 101,191 | 1,670,868 | 33,845 | 1,805,904 |
| Transfer to building | - | 3,148,942 | (3,148,942) | - | - |
| Transfer from plant and equipment | - | 103,222 | - | 134,772 | 237,994 |
| Balance March 31, 2017 | **28,203,066** | **25,606,753** | **1,480,504** | **57,663,204** | **112,953,527** |
| **Accumulated amortization** | | | | | |
| Balance March 31, 2016 | 531,494 | 7,929,915 | - | 44,758,662 | 53,220,071 |
| Amortization | - | 906,154 | - | 948,582 | 1,854,736 |
| Balance March 31, 2017 | **531,494** | **8,836,069** | **-** | **45,707,244** | **55,074,807** |
| **Net book value** | | | | | |
| Balance March 31, 2017 | **$ 27,671,572** | **$ 16,770,684** | **$ 1,480,504** | **$ 11,955,960** | **$ 57,878,720** |

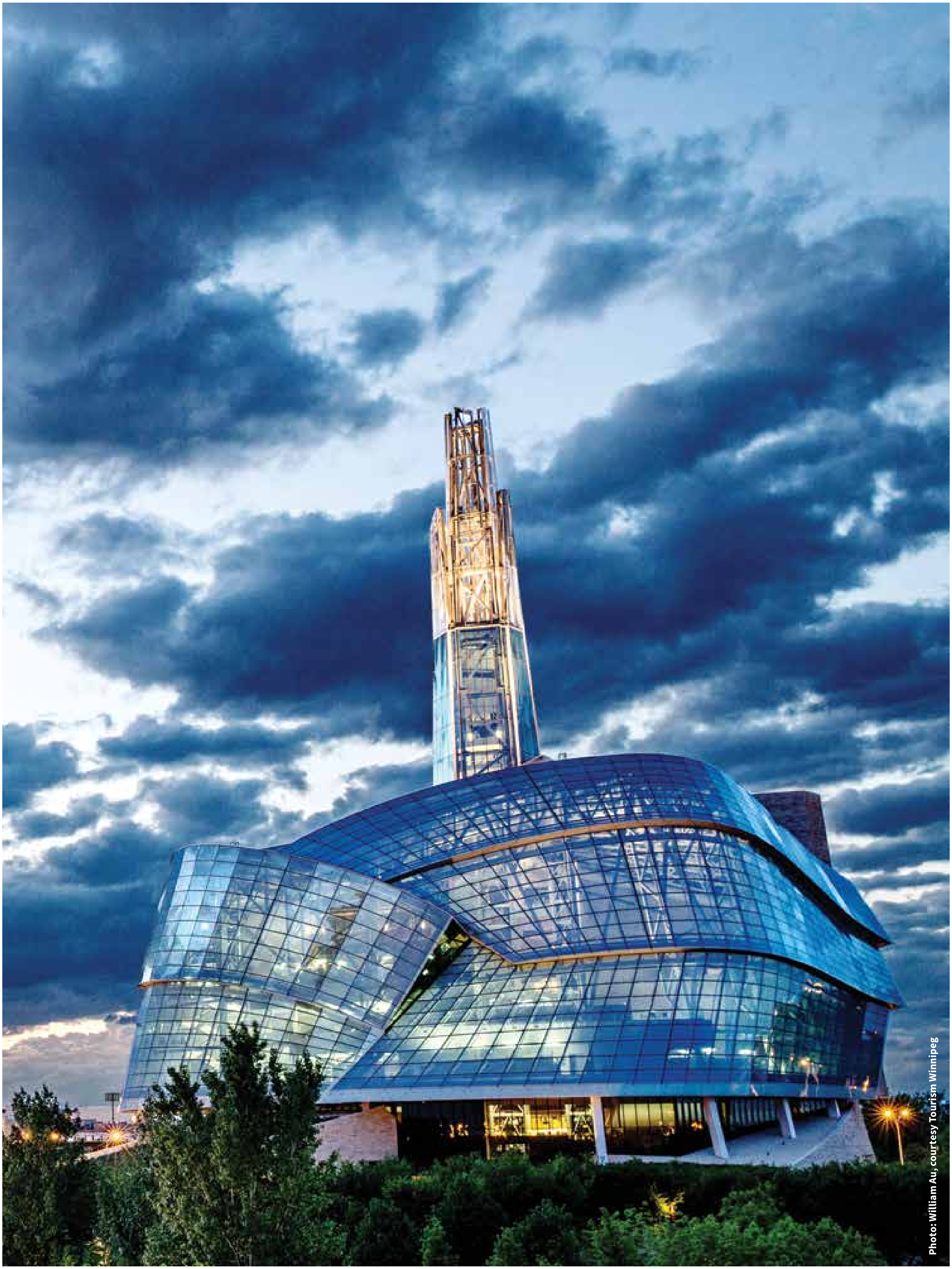
Photo: William Au, courtesy Tourism Winnipeg

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF FINANCIAL POSITION - WHRC

*March 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| CURRENT ASSETS | | |
| Cash (Note 10) | **$ 1,152,239** | $ 1,910,347 |
| Rents receivable | **15,247** | 9,009 |
| Grants receivable (Note 3) | **21,000** | 21,000 |
| Other receivables (Note 4) | **245,714** | 153,007 |
| Subsidy due from CMHC (Note 5) | **2,755** | 2,955 |
| Subsidy due from Manitoba Housing (Note 5) | **219,507** | 226,193 |
| Operating deficiency recoverable from Manitoba Housing (Note 6) | **529,783** | 289,957 |
| Prepaid expenses | **23,606** | 21,481 |
| Housing inventory (Notes 2(b) and 7) | **1,157,355** | 502,550 |
| | **3,367,206** | 3,136,499 |
| RESTRICTED CASH AND DEPOSITS | | |
| Replacement Reserve Fund (Notes 2(c) and 8) | | |
| CMHC funded | **73,813** | 83,704 |
| Manitoba Housing funded | **4,405,264** | 4,496,619 |
| WHRC funded | **437,297** | 407,341 |
| | **4,916,374** | 4,987,664 |
| CAPITAL ASSETS (Notes 2(d) and 9) | **18,308,904** | 20,282,993 |
| | **$ 26,592,484** | $ 28,407,156 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF FINANCIAL POSITION - WHRC (CONTINUED)

*March 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***LIABILITIES, RESERVES AND NET ASSETS*** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | **$ 525,264** | $ 698,222 |
| Accrued interest payable | **136,013** | 149,533 |
| Security deposits and prepaid rent | **300,747** | 287,569 |
| Current portion of forgivable loans (Notes 2(e) and 11) | **154,133** | 154,133 |
| Current portion of long-term debt (Note 12) | **1,967,330** | 1,808,985 |
| | **3,083,487** | 3,098,442 |
| DEFERRED REVENUE | **73,798** | 10,637 |
| FORGIVABLE LOANS (Notes 2(e) and 11) | **686,400** | 840,534 |
| LONG-TERM DEBT (Note 12) | **16,117,028** | 18,084,002 |
| REPLACEMENT RESERVES | | |
| Replacement Reserves - CMHC (Notes 2(c) and 8) | **73,813** | 83,704 |
| Replacement Reserves - Manitoba Housing (Notes 2(c) and 8) | **4,405,264** | 4,496,619 |
| Replacement Reserves - WHRC (Notes 2(c) and 8) | **437,297** | 407,341 |
| | **4,916,374** | 4,987,664 |
| WHRC BUILDING AND ACQUISITION RESERVE (Note 13) | **1,114,041** | 1,098,046 |
| | **25,991,128** | 28,119,325 |
| ***UNRESTRICTED NET ASSETS*** | **601,356** | 287,831 |
| | **$ 26,592,484** | $ 28,407,156 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF CHANGES IN NET ASSETS - WHRC

*Year ended March 31, 2017*

| | **2017** | 2016 |
|---|---|---|
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, CMHC PROPERTIES | **$ (45,121)** | $ (34,006) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, MANITOBA HOUSING PROPERTIES | **(239,826)** | (289,957) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, WHRC RENTAL AND DEVELOPMENT | **2,629** | 90,170 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, WHRC HEAD OFFICE | **356,017** | 110,894 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | **73,699** | (122,899) |
| ***UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR*** | **287,831** | 120,773 |
| OPERATING DEFICIENCY RECOVERABLE FROM (EXCESS PAYABLE TO) MANITOBA HOUSING (Note 6) | **239,826** | 289,957 |
| ***UNRESTRICTED NET ASSETS, END OF YEAR*** | **$ 601,356** | $ 287,831 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF OPERATIONS - WHRC

*Year ended March 31, 2017*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***REVENUE*** | | | | |
| Rental revenue | | | | |
| Residential | **$** | **3,018,778** | $ | 2,966,287 |
| Commercial | | **59,243** | | 57,202 |
| Manitoba Housing subsidy (Note 5) | | **3,835,592** | | 3,881,785 |
| Property management fees | | **634,308** | | 625,764 |
| City of Winnipeg operating grant | | **180,000** | | 180,000 |
| Development fees | | **588,514** | | 352,092 |
| Parking and laundry | | **77,625** | | 68,915 |
| CMHC subsidy (Note 5) | | **34,261** | | 35,458 |
| Other grants | | **18,976** | | 25,464 |
| Interest and other income | | **19,139** | | 51,304 |
| Gain on sale of rental property | | **-** | | 93,496 |
| | | **8,466,436** | | 8,337,767 |
| ***EXPENSES*** | | | | |
| Administration | | **346,390** | | 346,754 |
| Advertising | | **754** | | - |
| Allocation to Replacement Reserve (Note 8) | | **406,050** | | 666,050 |
| Amortization (Note 2(d)) | | **1,819,956** | | 1,697,047 |
| Bad debts | | **38,798** | | 23,847 |
| Bank charges and other interest | | **16,795** | | 10,904 |
| Cable T.V. | | **1,042** | | 997 |
| Collection fees | | **1,766** | | 2,429 |
| Garbage removal | | **63,793** | | 57,437 |
| Insurance | | **175,204** | | 162,427 |
| Janitorial services | | **282,250** | | 259,267 |
| Maintenance and repairs | | **1,014,926** | | 932,786 |
| Miscellaneous | | **-** | | 8,084 |
| Mortgage interest | | **1,676,316** | | 1,833,538 |
| Office operations | | **115,612** | | 103,168 |
| Office salaries and benefits | | **888,710** | | 904,538 |
| Professional fees | | **46,907** | | 41,633 |
| Property taxes | | **528,729** | | 491,593 |
| Snow removal | | **19,904** | | 14,198 |
| Electricity | | **383,399** | | 362,818 |
| Natural gas | | **174,734** | | 185,194 |
| Water | | **390,702** | | 355,957 |
| | | **8,392,737** | | 8,460,666 |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES** | **$** | **73,699** | $ | (122,899) |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF CASH FLOW - WHRC

*Year ended March 31, 2017*

| | 2017 | 2016 |
|---|---|---|
| ***CASH PROVIDED BY (USED IN):*** | | |
| ***OPERATING ACTIVITIES*** | | |
| Excess (deficiency) of revenue over expenses | **$ 73,699** | $ (122,899) |
| Add non cash items: | | |
| Amortization | **1,819,956** | 1,697,047 |
| Amortization of forgivable loan | **154,133** | 162,162 |
| Gain on sale of rental property | **-** | (93,496) |
| | **2,047,788** | 1,642,814 |
| Change in non-cash working capital: | | |
| Rents receivable | **(6,238)** | (1,394) |
| Grants receivable | **-** | 44,434 |
| Other receivables | **(92,707)** | 534,106 |
| Subsidy due from CMHC | **200** | - |
| Subsidy due from Manitoba Housing | **6,686** | 5,281 |
| Prepaid expenses | **(2,125)** | 156,039 |
| Housing inventory | **(654,805)** | (2,568) |
| Accounts payable and accrued liabilities | **(172,958)** | (191,744) |
| Accrued interest payable | **(13,520)** | (12,411) |
| Security deposits and prepaid rent | **13,178** | (49,331) |
| Deferred revenue | **63,161** | 6,635 |
| | **1,188,660** | 2,131,861 |
| ***INVESTING ACTIVITIES*** | | |
| Proceeds on sale of capital assets | **-** | 133,668 |
| Increase (decrease) in Manitoba Housing replacement reserve | **(91,355)** | 324,723 |
| Increase (decrease) in CMHC replacement reserve | **(9,891)** | 21,443 |
| Increase in WHRC replacement reserve | **29,956** | 36,716 |
| Increase in WHRC building and acquisition reserve | **15,995** | 16,447 |
| | **(55,295)** | 532,997 |
| ***FINANCING ACTIVITIES*** | | |
| Increase (decrease) in forgivable loans | **(154,134)** | (162,162) |
| Repayment of long-term debt | **(1,808,629)** | (1,704,630) |
| Manitoba Housing recoveries | **-** | 77,063 |
| | **(1,962,763)** | (1,789,729) |
| ***INCREASE (DECREASE) IN CASH*** | **(829,398)** | 875,129 |
| ***CASH, BEGINNING OF YEAR*** | **6,898,011** | 6,022,882 |
| ***CASH, END OF YEAR (NOTE 14)*** | **$ 6,068,613** | $ 6,898,011 |

# WINNIPEG HOUSING REHABILITATION CORPORATION
## NOTES TO FINANCIAL STATEMENTS

*Year ended March 31, 2017*

### *1. Accounting Entity*

The corporation is engaged in providing affordable housing in the City of Winnipeg. The corporation is mandated by the City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing. The corporation's activities include a property management head office, management of individual properties and a housing development program. The corporation is not taxable under section 149 of the Income Tax Act.

For GST purposes, the corporation is designated as a municipality and is able to recover 100% of the GST paid.

### *2. Significant Accounting Policies*

The financial statements of the corporation have been prepared solely for the information and use of CMHC and Manitoba Housing to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and Manitoba Housing for administration and funding purposes in recording expenses.

**a) Basis of accounting**

The corporation follows the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when incurred.

**b) Housing Inventory**

Housing inventory is recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No amortization is being taken on the housing inventory. These buildings are construction in progress.

**c) Replacement Reserve Fund**

The Replacement Reserve Fund accounts are maintained to provide for future asset replacement. The accounts are established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserves.

**d) Capital Assets**

Capital assets are recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property. Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than $1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

## 2. *Significant Accounting Policies (Continued)*

### d) Capital Assets (Continued)

Amortization is provided for as follows:

| | |
|---|---|
| Computer equipment | - straight-line over three years |
| Furniture and equipment | - straight-line over five years |
| System software | - 30% of the opening net book value of the asset |
| Rental properties | - an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies |
| | - for properties not financed by debt, an amount equal to 4% of the opening net book value of the property |
| General | - a replacement reserve is maintained to provide for future asset replacement. |

### e) Forgivable Loans

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years from the completion date of the property.

### f) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured.

Rental, parking and laundry revenue and property management fees are recognized over the term of the lease.

### g) Financial Instruments

Financial instruments held by the corporation include cash, rents receivable, other receivables, restricted cash and deposits, accounts payable and accrued liabilities, accrued interest payable, and long term debt. The corporation initially measures its financial instruments at fair market value and subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition, less principal repayments, plus or minus the cumulative difference between that initial amount and the maturity amount, and minus any reduction for impairment.

## 3. *Grants Receivable*

The corporation has the following grants that are receivable from the Province of Manitoba and the City of Winnipeg:

| | **2017** | 2016 |
|---|---|---|
| Infill Housing Project | | |
| City of Winnipeg | **$ 21,000** | $ 21,000 |

### 4. *Other Receivables*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Operating grant | **$** | **45,000** | $ | 45,000 |
| Manitoba Housing | | **80,625** | | - |
| GST receivable | | **23,927** | | 35,905 |
| Development fees | | **23,708** | | 17,710 |
| NMF/MU building grant | | **42,398** | | 47,697 |
| North End Community Renewal Corp | | **15,458** | | - |
| Miscellaneous receivables | | **14,598** | | 6,695 |
| | **$** | **245,714** | $ | 153,007 |

### 5. *Subsidy Due from CMHC and Manitoba Housing*

The CMHC properties are subsidized for mortgage interest on a monthly basis through the reduction of the interest rates from market to 2%, in order to provide housing to low income individuals. The Manitoba Housing properties are subsidized for mortgage interest and property taxes on a monthly basis.

### 6. *Operating Deficiency Recoverable from (Excess Payable To) Manitoba Housing*

Pursuant to the current operating agreement with Manitoba Housing, and the agreements with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the corporation is to be repaid. Where a cumulative deficiency exists for Manitoba Housing properties, the shortfall is the responsibility of Manitoba Housing subject to Manitoba Housing approval of project costs.

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Operating deficiency recoverable from (excess payable to) Manitoba Housing | **$** | **239,826** | $ | 289,957 |
| Operating deficiency recoverable from Manitoba Housing from prior years | | **289,957** | | - |
| | **$** | **529,783** | $ | 289,957 |

### 7. *Housing Inventory*

The corporation has undertaken projects to acquire property and develop housing in various neighbourhoods of Winnipeg. Costs incurred to date (net of funding and debt) on housing projects are as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Transcona | | | | |
| 440 Chrislind Street | **$** | **500,000** | $ | 502,500 |
| Other | | | | |
| 422/426 Ross | | **(556)** | | - |
| Grace common | | **5** | | - |
| PA-09-2008 | | **(250)** | | - |
| Bluebird Lodge | | **658,156** | | 50 |
| | **$** | **1,157,355** | $ | 502,550 |

## 8. *Replacement Reserve Fund*

Under the terms of the agreements with CMHC/Manitoba Housing, the Replacement Reserve account is to be credited with an annual charge against earnings. These funds along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/Manitoba Housing from time to time. The funds in the account may only be used as approved by CMHC/Manitoba Housing. Withdrawals are credited to interest first and then principal.

| | **2017** | 2016 |
|---|---|---|
| Allocation | | |
| Annual charge | **$ 406,050** | $ 666,050 |
| | | |
| Year end balance | | |
| Cash | **$ 271,287** | $ 680,731 |
| Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates | **4,645,087** | 4,306,933 |
| | **$ 4,916,374** | $ 4,987,664 |

## 9. *Capital Assets*

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | Cost | Accumulated Amortization |
| Rental properties | **$ 38,653,586** | **$ 20,353,455** | $ 38,807,719 | $ 18,538,898 |
| Furniture and equipment | **81,142** | **79,512** | 81,142 | 77,174 |
| Computer system software | **24,500** | **17,357** | 24,500 | 14,296 |
| | **$ 38,759,228** | **$ 20,450,324** | $ 38,913,361 | $ 18,630,368 |
| Net book value | **$ 18,308,904** | | $ 20,282,993 | |

## 10. *Cash and Line of Credit*

The corporation has a line of credit with the Assiniboine Credit Union with an approved maximum of $1,800,000 which is due on demand and bears interest at the Credit Union's prime rate, payable monthly. This line of credit is secured by a $2,000,000 guarantee by the City of Winnipeg. Included in cash, the corporation has utilized $1,271,771 of this line of credit as at March 31, 2017 (2016 - $340,659). Included in cash is $208,456 (2016 - $205,904) of excess restricted funds related to rental and development.

## 11. *Forgivable Loans*

| | **2017** | 2016 |
|---|---|---|
| Forgivable loans | **$ 840,533** | $ 994,667 |
| Less: current portion | **154,133** | 154,133 |
| | **$ 686,400** | $ 840,534 |

WHRC has entered into various forgivable loan agreements with Manitoba Housing under various programs. These loans are forgivable over periods of five, ten or fifteen years (depending on agreement), in equal monthly amounts, commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to Manitoba Housing.

## 11. *Forgivable Loans (Continued)*

The loans will be forgiven for the years ended as follows:

| | | | |
|---|---|---|---|
| March 31, | 2018 | $ | 154,133 |
| | 2019 | | 154,133 |
| | 2020 | | 154,133 |
| | 2021 | | 154,133 |
| | 2022 | | 149,333 |
| | Thereafter | | 74,668 |
| | | $ | 840,533 |

## 12. *Long-Term Debt*

| Lender | Interest Rate | Maturity Dates | **2017** | 2016 |
|---|---|---|---|---|
| Assiniboine Credit Union | 3.59% - 3.99% | 2018-2031 | **$ 189,954** | $ 201,409 |
| TD Canada Trust | 5.10% | 2017 | **645,452** | 671,645 |
| Canada Mortgage Housing Corporation | 0.00% - 4.37% | 2017-2021 | **2,220,727** | 2,624,907 |
| Manitoba Housing | 6.63% - 12.50% | - | **15,028,225** | 16,395,026 |
| | | | **18,084,358** | 19,892,987 |
| Less: current portion | | | **1,967,330** | 1,808,985 |
| | | | **$ 16,117,028** | $ 18,084,002 |

All mortgages are secured by a charge registered against the properties.

Although some of the mortgages may become due within the next fiscal period, these mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

The principal portion of long-term debt is repayable for the years ended as follows:

| | | | |
|---|---|---|---|
| March 31, | 2018 | $ | 1,967,330 |
| | 2019 | | 1,975,669 |
| | 2020 | | 2,301,038 |
| | 2021 | | 2,739,440 |
| | 2022 | | 1,871,241 |
| | Thereafter | | 7,229,640 |
| | | $ | 18,084,358 |

## 13. *WHRC Building and Acquisition Reserve*

The WHRC building and acquisition reserve consists of the net gains/losses on buildings that were sold, the accumulated operation surplus/deficits of those buildings and the realized gain on forgivable loans. These funds are restricted for use acquiring or building properties and adding them to WHRC's rental portfolio.

## *14. Additional Information to Cash Flow Statement*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Cash represented by: | | | | |
| Cash | **$** | **1,152,239** | $ | 1,910,347 |
| Restricted cash and deposits | | **4,916,374** | | 4,987,664 |
| | **$** | **6,068,613** | $ | 6,898,011 |
| Interest received | **$** | **86,933** | $ | 124,490 |
| Interest paid | | **1,704,347** | | 1,859,242 |

## *15. Income Testing*

The corporation has requested and obtained evidence of the income of tenants paying rent according to the rent-to-income scale as required by sub-paragraph 2(S) of the Operating Agreement with CMHC and Manitoba Housing.

The corporation has applied a rent-to-income ratio for those leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

The corporation has adjusted the rental charge for rent-to-income leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

## *16. Use of Estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from these estimates.

## *17. Risk Management*

### a) Interest Rate Price Risk

It is management's opinion that the corporation is exposed to interest rate risk due to its holding of guaranteed investment certificates with fixed interest rates and long-term with fixed interest rates.

### b) Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business and except under certain exceptions, no later than three months.

The corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due.

### c) Credit Risk

Financial instruments which potentially subject the corporation to credit risk and concentrations of credit risk consist principally of cash, restricted cash and accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

### *18. Renovation funding*

On March 20, 2017 WHRC received a commitment from Manitoba Housing for up to $2,077,120 in funding for renovation work. Receipt of funding is contingent upon costs being incurred that are consistent with those items approved by Manitoba Housing in the commitment letter for each property. The full terms and conditions on the funding will be come available when Manitoba Housing provides the financial assistance agreements for this funding.

# THE CITY OF WINNIPEG
# COUNCIL PENSION BENEFITS PROGRAM
# (Established under By-law 7869/2001)

## STATEMENT OF FINANCIAL POSITION

*As at December 31*

| | **2017** | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Investments | | |
| Cash and short-term deposits (Note 3) | **$ 106,073** | $ 37,472 |
| Canadian securities (Note 3) | **5,082,683** | 4,566,796 |
| | **5,188,756** | 4,604,268 |
| Accrued interest (Note 3) | **39,748** | 34,730 |
| Due from the City of Winnipeg | **9,822** | 9,973 |
| Total Assets | **5,238,326** | 4,648,971 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities | **38,876** | 44,907 |
| Total Liabilities | **38,876** | 44,907 |
| ***NET ASSETS AVAILABLE FOR BENEFITS*** | **5,199,450** | 4,604,064 |
| ***OBLIGATION FOR PENSION BENEFITS (Note 4)*** | **5,516,311** | 4,893,609 |
| ***NET ASSETS AVAILABLE FOR BENEFITS LESS OBLIGATION FOR PENSION BENEFITS*** | **$ (316,861)** | $ (289,545) |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# COUNCIL PENSION BENEFITS PROGRAM
# (Established under By-law 7869/2001)

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

*For the years ended December 31*

| | **2017** | 2016 |
|---|---|---|
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| The City of Winnipeg (Note 5) | **$ 400,319** | $ 395,680 |
| Plan members | **115,826** | 114,764 |
| | **516,145** | 510,444 |
| Investment income from | | |
| Canadian securities | **100,897** | 90,101 |
| Cash and short-term deposits | **644** | 400 |
| | **101,541** | 90,501 |
| Current period change in fair value of investments | **114,000** | 106,570 |
| Total increase in assets | **731,686** | 707,515 |
| ***DECREASE IN ASSETS*** | | |
| Administrative expenses | | |
| Actuarial fees | **24,448** | 35,698 |
| Investment management, audit and administrative fees | **16,868** | 16,068 |
| | **41,316** | 51,766 |
| Pension payments | **94,984** | 97,858 |
| Total decrease in assets | **136,300** | 149,624 |
| Increase in net assets | **595,386** | 557,891 |
| Net assets available for benefits at beginning of year | **4,604,064** | 4,046,173 |
| Net assets available for benefits at end of year | **$ 5,199,450** | $ 4,604,064 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# COUNCIL PENSION BENEFITS PROGRAM
# (Established under By-law 7869/2001)

## STATEMENT OF CHANGES IN PENSION BENEFITS OBLIGATION

*For the years ended December 31*

| | **2017** | 2016 |
|---|---|---|
| ***OBLIGATION FOR PENSION BENEFITS AT BEGINNING OF YEAR*** | **$ 4,893,609** | $ 4,251,848 |
| Benefits accrued | **499,900** | 488,717 |
| Interest accrued on benefits | **234,419** | 206,799 |
| Changes in actuarial assumptions | **-** | 44,103 |
| Benefits paid | **(94,984)** | (97,858) |
| Experience gains and losses | **(16,633)** | - |
| ***OBLIGATION FOR PENSION BENEFITS AT END OF YEAR*** | **$ 5,516,311** | $ 4,893,609 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# COUNCIL PENSION BENEFITS PROGRAM
# (Established under By-law 7869/2001)

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2017*

### *1. Description of Plan*

#### a) General

The Council Pension Benefits Program (the "Program") was established on July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program means the benefits program consisting of The City of Winnipeg Council Pension Plan ("Part A" or "Plan") and The City of Winnipeg Council Early Retirement Benefits Arrangement ("Part B"). Part A and Part B are defined benefit pension plans, which provide pension benefits for The City of Winnipeg Council (the "Council") members. All members of Council were required to become members of the Program on January 1, 2001.

#### b) Contributions

For Part A, members contribute 6 1/2% of their Canada Pension Plan earnings plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City of Winnipeg (the "City") makes contributions as required, based on the recommendation of the actuary for Part A. The City is responsible for ensuring that the actuarial liabilities of Part A are adequately funded over time. Any surplus disclosed in an actuarial valuation of Part A may be used to reduce the City's required contributions to Part A or used as a contingency reserve to offset possible future losses of Part A.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

#### c) Retirement pensions

For each member, the Program allows for retirement at or after the age of 55, or following completion of 30 years of service, or when the sum of a member's age plus years of credited service equals 80, or if the member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age of 65 is equal to the member's years of credited service multiplied by the aggregate of 1.5% of the member's best 5-year average Canada Pension Plan earnings plus 2% of the member's best 5-year average non-Canada Pension Plan earnings.

For Part A, the amount determined by the pension formula above is reduced by 0.25% for each month by which the member's date of retirement precedes the earliest of the day on which the: member will attain age 60, member would have completed 30 years of service had employment continued, or member's age plus years of service would have totaled 80 had employment continued.

For Part B, the amount payable is equal to the amount determined by the pension formula above less the amount payable under Part A.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Index (Canada) from the date the pension commences to be paid.

#### d) Deemed retirement

Any Program member who is not retired on December 1 of the taxation year in which the Program member attains age 71 shall be deemed to have retired on that day.

## 1. *Description of Plan (continued)*

### e) Survivor's benefits

On a member's death before retirement Part A provides for survivor's benefits and Part B does not. The Program provides for survivor's benefits on a member's death after retirement.

### f) Termination benefits

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits with respect to Part A accruals are payable to a Program member when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program. No benefits are payable under Part B when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Index (Canada) up to the date the deferred pension commences to be paid.

### g) Re-election

If a Program member who is receiving a pension from the Program is re-elected, the Program member's pension will be suspended prior to the Program member becoming an elected official with the City and their years of credited service will be added to the Program member's years of credited service after re-election.

### h) Administration

The Program is administered by the Council Pension Benefits Board ("Board") which is comprised of three representatives appointed by the Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

## 2. *Significant Accounting Policies*

### a) Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Program as a separate financial reporting entity, independent of the sponsor and Program members. They are prepared to assist Program members and others in reviewing the activities of the Program for the fiscal period.

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. In selecting accounting policies that do not relate to its investment portfolio or pension obligations the program applies on a consistent basis Canadian accounting standards for private enterprises ("ASPE").

### b) Financial instruments

#### i) Initial measurement

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other financing fees and transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

## *2. Significant Accounting Policies (continued)*

### ii) Subsequent to initial recognition

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

### c) Investments

### i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Plan measures fair value of investments using quoted prices in an active market. The Plan uses closing market prices as a practical expedient for fair value measurement.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of current period change in fair value of investments.

Fair values of investments are determined as follows:

Canadian securities are valued at year-end quoted closing prices.

Cash and short-term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

### ii) Income recognition

Income from investments is recorded on an accrual basis and includes interest income, dividends and other income.

### d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumptions used in the actuarial valuation and extrapolation for the obligation for pension benefits (Note 4).

### e) Income taxes

Part A is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, the pension fund is not subject to income taxes.

Part B is a supplemental pension plan where the City pays the full cost of benefits and expenses as they become payable.

## 3. *Risk Management*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. Therefore, the objective of investment risk management is to diversify investment assets to reduce the likelihood of a significant reduction in total fund value while achieving the opportunity for gains in the portfolio within acceptable risk parameters. This is achieved by diversifying the investment portfolio within the constraints of the investment policy and objectives by regularly monitoring the Plan's position and market events.

### a) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

#### i) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and obligation for pension benefits. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's interest bearing assets is affected by short-term changes in market interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

#### ii) Foreign currency risk

Foreign currency exposure arises from the Plan holding Canadian dollar investment funds with underlying investments, held in the fund, denominated in currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. The fund is exposed to fluctuations of multiple currencies, most notably the U.S. dollar.

#### iii) Other price risk

The Plan's investments in equities are sensitive to changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. To manage the Plan's other price risk, the Board adopted an indexing strategy that diversifies risk over a wide range of investments that is intended to mirror the liabilities of the Plan.

As at December 31, 2017, a decline of 10 percent in value of Canadian securities, with all other variables held constant, would have impacted the Plan's Canadian securities by an approximate unrealized loss of $508,000 (2016 - $457,000).

### b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2017, the Plan's maximum credit risk exposure relates to accrued interest and investments in Canadian and Canadian denominated global securities totaling $5,122,431 (2016 - $4,601,526).

### *3. Risk Management (continued)*

The Plan limits credit risk though diversification of investments and by utilizing highly liquid Exchange Traded Funds which represent the securities composition of benchmark securities indices. These indices are documented in an internal investment policy guideline which includes permitted asset classes of investments and a target asset mix.

#### c) Liquidity risk

Liquidity risk refers to the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities through selling or acquiring investments in a timely and cost-effective manner. The Plan maintains a portfolio of highly marketable Canadian assets that may be sold as protection against any unforeseen interruption to cash flow.

#### d) Fair value

The Plan's assets, which are recorded at fair value, have been categorized into one of the following categories reflecting the significant inputs used in making the fair value measurement:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2017 and 2016 in valuing the Plan's financial assets recorded at fair value:

| | Level 1 | Level 2 | Level 3 | **2017 Total** |
|---|---|---|---|---|
| Cash and short-term deposits | **$ 106,073** | **$ -** | **$ -** | **$ 106,073** |
| Canadian securities | **5,082,683** | **-** | **-** | **5,082,683** |
| | **$ 5,188,756** | **$ -** | **$ -** | **$ 5,188,756** |

| | Level 1 | Level 2 | Level 3 | 2016 Total |
|---|---|---|---|---|
| Cash and short-term deposits | $ 37,472 | $ - | $ - | $ 37,472 |
| Canadian securities | 4,566,796 | - | - | 4,566,796 |
| | $ 4,604,268 | $ - | $ - | $ 4,604,268 |

Canadian securities consist of the following:

| | **2017** | 2016 |
|---|---|---|
| iShares real return bond index fund | **$ 3,065,894** | $ 2,713,118 |
| iShares MSCI World Index ETF | **1,067,857** | 948,811 |
| iShares Core S-P/TSX Capped Comp Index ETF | **501,602** | 472,337 |
| iShares Canadian Long Term Bond Index ETF | **447,330** | 432,530 |
| | **$ 5,082,683** | $ 4,566,796 |

### *4. Obligation for Pension Benefits*

An actuarial valuation of the Program was prepared as at December 31, 2014 and extrapolated to December 31, 2017 by Mercer (Canada) Limited ("Mercer"). The actuarial present value of accrued pension benefits for the valuation was determined using the projected benefit method pro-rated on service and using assumptions approved by the Board with input from the actuary.

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 4.60% (2016 - 4.60%) per annum, a rate of return on assets of 4.60% (2016 - 4.60%) per annum, and a general rate of salary increase of 2.50% (2016 - 2.50%) per annum.

The obligation for pension benefits is comprised of the following:

| | **2017** | 2016 |
|---|---|---|
| Part A | **$ 5,345,357** | $ 4,761,735 |
| Part B | **170,954** | 131,874 |
| | **$ 5,516,311** | $ 4,893,609 |

### *5. Contributions*

| | **2017** | 2016 |
|---|---|---|
| Current service | **$ 400,319** | $ 395,680 |

For Part A, the City's contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

### *6. Capital Management*

For Part A, the main objective of the Board is to sustain a level of net assets in order to meet the pension obligation of Part A. The Board fulfills this objective by ensuring member and City contributions are remitted to the pension fund in accordance with the terms of Part A and adhering to specific investment policies including asset mix and rate of return expectations, outlined in the Board approved Statement of Investment Policies and Procedures. Investment policy, strategies and performance are reviewed regularly by the Board.

For Part A, the City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded. The Board is required to have an actuarial funding valuation for Part A filed with Canada Revenue Agency. The most recent actuarial funding valuation filed for Part A was prepared by Mercer for the period ended December 31, 2014 and reported a $301 thousand shortfall which, along with interest accruing to date of payment, was fully funded by the City of Winnipeg during 2015. The next required actuarial funding valuation for Part A is as at December 31, 2017 and will be completed in 2018.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

### *7. Related Party Transactions*

The Program receives administrative support from the City at no cost to the Program.

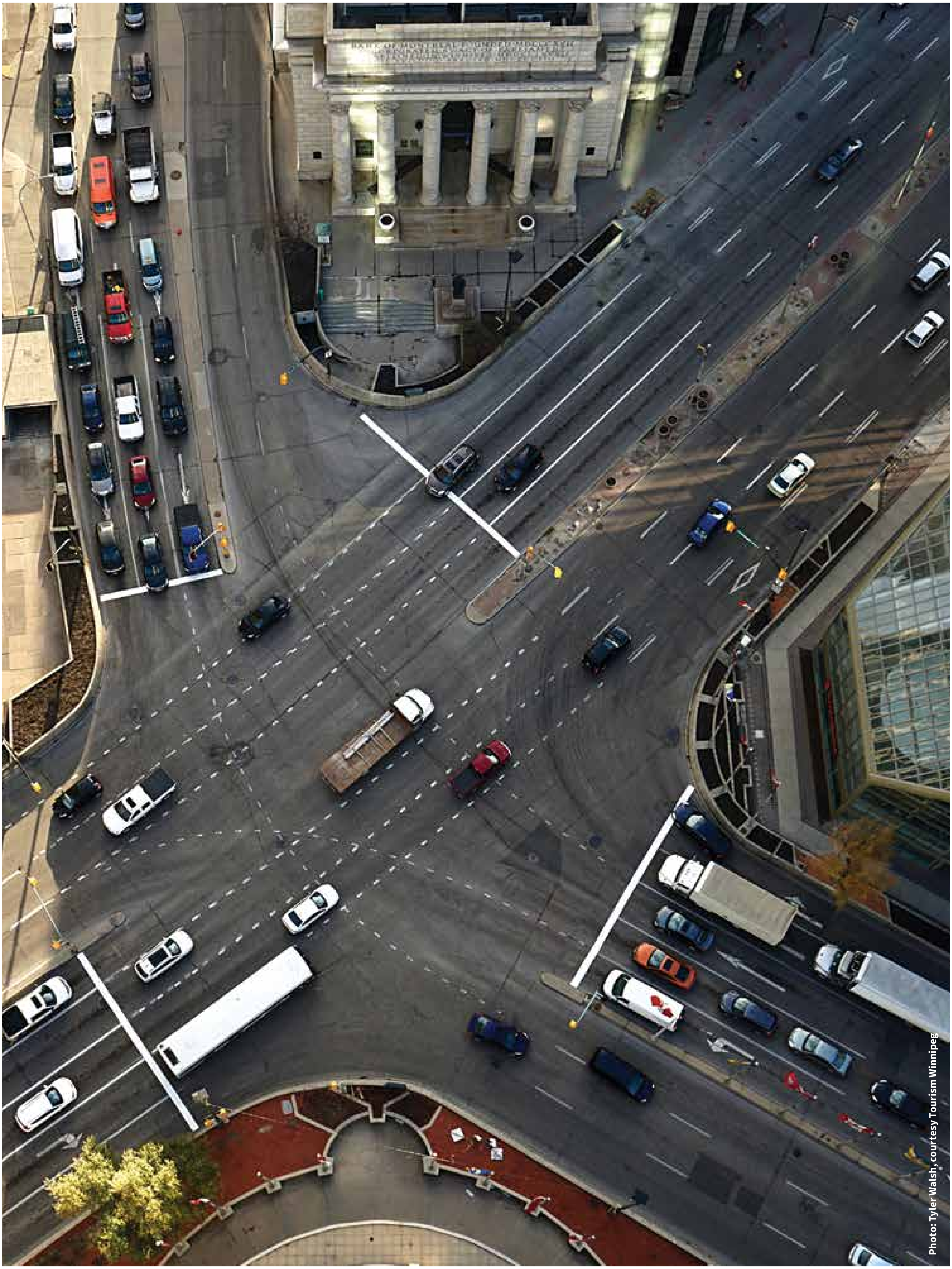

Photo: Tyler Walsh, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*
*(unaudited)*

| | | **2017** | | 2016 |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Investments, at fair value | | | | |
| Bonds and debentures | **$** | **308,430** | $ | 249,570 |
| Canadian equities | | **355,740** | | 335,430 |
| Foreign equities | | **459,152** | | 446,517 |
| Cash and short-term deposits | | **93,906** | | 68,704 |
| Private equities | | **16,424** | | 24,165 |
| Real estate | | **110,606** | | 105,674 |
| Infrastructure | | **120,826** | | 107,251 |
| Private debt | | **74,207** | | 68,525 |
| | | **1,539,291** | | 1,405,836 |
| Participants' contributions receivable | | **7** | | 3 |
| Employers' contributions receivable | | **18** | | - |
| Accounts receivable | | **734** | | 735 |
| Due from The Winnipeg Civic Employees' Pension Plan | | **-** | | 16 |
| Total Assets | | **1,540,050** | | 1,406,590 |
| ***LIABILITIES*** | | | | |
| Accounts payable | | **2,403** | | 2,994 |
| Due to The Winnipeg Civic Employees' Pension Plan | | **5** | | - |
| Total Liabilities | | **2,408** | | 2,994 |
| ***NET ASSETS AVAILABLE FOR BENEFITS*** | | **1,537,642** | | 1,403,596 |
| ***PENSION OBLIGATIONS*** | | **1,360,152** | | 1,263,728 |
| ***SURPLUS*** | **$** | **177,490** | $ | 139,868 |
| ***SURPLUS COMPRISED OF:*** | | | | |
| Main Account - General Component | **$** | **139,931** | $ | 127,507 |
| Main Account - Contributions Stabilization Reserve | | **23,704** | | - |
| Plan Members' Account | | **13,628** | | 12,361 |
| City Account | | **227** | | - |
| | **$** | **177,490** | $ | 139,868 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

*For the year ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| The City of Winnipeg | **$ 28,288** | $ 28,655 |
| Employees | **12,817** | 12,883 |
| Reciprocal transfers from other plans | **706** | 519 |
| | **41,811** | 42,057 |
| Investment income (Note 5) | **39,197** | 37,880 |
| Current period change in fair value of investments | **109,656** | 78,028 |
| Total increase in assets | **190,664** | 157,965 |
| ***DECREASE IN ASSETS*** | | |
| Pension payments | **49,144** | 47,172 |
| Lump sum benefits (Note 7) | **1,077** | 1,631 |
| Administrative expenses (Note 8) | **952** | 1,073 |
| Investment management and custodial fees | **5,445** | 4,784 |
| Total decrease in assets | **56,618** | 54,660 |
| Increase in net assets | **134,046** | 103,305 |
| Net assets available for benefits at beginning of year | **1,403,596** | 1,300,291 |
| Net assets available for benefits at end of year | **$ 1,537,642** | $ 1,403,596 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN

## STATEMENT OF CHANGES IN PENSION OBLIGATIONS

*For the year ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | 2016 |
|---|---|---|
| ***ACCRUED PENSION BENEFITS, BEGINNING OF YEAR*** | **$ 1,263,728** | $ 1,222,646 |
| ***INCREASE IN ACCRUED PENSION BENEFITS*** | | |
| Interest on accrued pension benefits | **70,462** | 66,215 |
| Benefits accrued | **43,189** | 42,689 |
| Changes in actuarial assumptions | **74,351** | - |
| Total increase in accrued pension benefits | **188,002** | 108,904 |
| ***DECREASE IN ACCRUED PENSION BENEFITS*** | | |
| Benefits paid | **50,221** | 48,802 |
| Experience gains and losses and other factors | **40,203** | 2,808 |
| Changes in actuarial assumptions | **-** | 15,128 |
| Administration expenses | **1,154** | 1,084 |
| Total decrease in accrued pension benefits | **91,578** | 67,822 |
| ***NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR*** | **96,424** | 41,082 |
| ***ACCRUED PENSION BENEFITS, END OF YEAR*** | **$ 1,360,152** | $ 1,263,728 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN

## STATEMENT OF CHANGES IN SURPLUS

*For the year ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 |
|---|---|---|
| ***SURPLUS, BEGINNING OF YEAR*** | **$ 139,868** | $ 77,645 |
| Increase in net assets available for benefits for the year | **134,046** | 103,305 |
| Increase in accrued pension benefits for the year | **(96,424)** | (41,082) |
| ***SURPLUS, END OF YEAR*** | **$ 177,490** | $ 139,868 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended December 31, 2017*
*(in thousands of dollars)*
*(unaudited)*

### 1. *Description of Plan*

#### a) General

The Winnipeg Police Pension Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the Plan at the commencement of their employment.

#### b) Administration

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members; one voting member appointed by the Winnipeg Police Senior Officers' Association, appointed on behalf of the senior police officers who are Active Members; one voting member elected by the Non-Active Members and other beneficiaries under the Plan; and five voting members appointed by the City.

The Board also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

The Plan is registered under the Pension Benefits Act of Manitoba. The Plan is a registered pension plan under the Income Tax Act, and is not subject to income taxes.

#### c) Financial structure

The Winnipeg Police Pension Plan is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

##### i) Main Account - General Component

All benefits of the Pension Plan are paid from the Main Account - General Component.

Employees contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions and to the extent provincial funding regulations permit such a transfer, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees’ contributions.

## 1. *Description of Plan (continued)*

### c) Financial structure (continued)

#### ii) Main Account - Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the Plan's solvency liabilities. The balance of the Contribution Stabilization Reserve has been below this threshold since 2012.

#### iii) Plan Members' Account

In order to ensure that the Plan members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with any share of future actuarial surpluses that are allocated to the Plan Members in accordance with the Plan.

#### iv) City Account

The City Account is credited with the share of future actuarial surpluses that are allocated to the City in accordance with the Plan.

### d) Retirement pensions

The Plan provides for retirement at or after age 55 or following completion of 25 years of credited service. The Plan allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the Income Tax Act.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 46.7% (2016 - 39.5%) of the percentage change in the Consumer Price Index for Canada.

### e) Disability pensions

A member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension.

### f) Survivor's benefits

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension.

## 1. *Description of Plan (continued)*

### g) Termination benefits

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City.

### h) Variation in benefits

The Plan provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

## 2. *Summary of Significant Accounting Policies*

### a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the City and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

These financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The Plan accounts for its investment in its subsidiary on a non-consolidated basis and presents it at fair value. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the Plan.

### b) Investments and investment income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions.

Publicly traded equity investments are valued using published market prices.

Bonds and debentures are valued either using published market prices or by applying valuation techniques that utilize observable market inputs.

For private equity, private debt, and infrastructure investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

Cash and short-term investments are recorded at cost, which, together with accrued interest income, approximates fair value.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The Plan's investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

## 2. *Summary of Significant Accounting Policies (continued)*

### c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates. Items within the financial statements which require significant estimates and judgment include the pension obligation and the fair value of investments.

## 3. *Obligations for Pension Benefits*

An actuarial valuation of the Plan was performed as of December 31, 2017 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2017. For the comparative 2016 figures, the actuarial present value of accrued benefits at December 31, 2016 is based on the December 31, 2016 actuarial valuation performed by Eckler Ltd. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 5.25% (2016 – 5.50%) per year, inflation of 2.0% (2016 – 2.0%) per year and general increases in pay of 3.25% (2016 - 3.50%) per year. The change in the valuation interest rate from 5.50% to 5.25% increased the obligations for pension benefits by $51,559. The change in the economic assumptions for general increases in pay from 3.50% to 3.25% decreased the obligations for the benefits by $4,949. The demographic assumptions for annual rates of mortality improvements were revised to utilize the Mortality Improvement 2017 Scale (MI-2017) increasing obligations for pension benefits by $6,241. The demographic assumptions, including rates of termination of employment, retirement and mortality were chosen after detailed analysis of past experience.

These assumptions were approved by the Winnipeg Police Pension Board for purposes of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2017 disclosed a $41,077 funding surplus which is to be resolved in accordance with the Plan, by transferring $47 to the City Account, by transferring $20,515 from the Main Account - General Component to the Main Account - Contribution Stabilization Reserve and by increasing future cost-of-living adjustments from 46.7% to 52.8% of inflation (with a correspond-ding increase in obligations for pension benefits of $20,515), effective January 1, 2018.

The actuarial valuation as at December 31, 2016 disclosed a $43,206 funding surplus which was allocated in accordance with the Plan, by transferring $206 to the City Account, by transferring $21,500 from the Main Account - General Component to the Main Account - Contribution Stabilization Reserve and by increasing future cost-of-living adjustments from 39.5% to 46.7% of inflation (with a corresponding increase in obligations for pension benefits of $21,500), effective January 1, 2017.

The assets available to finance the Plan's accrued benefits are those allocated to the Main Account - General Component. In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

## 3. *Obligations for Pension Benefits (continued)*

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus or deficit resolution, is as follows:

| | **2017** | 2016 |
|---|---|---|
| Surplus for financial statement reporting purposes | | |
| Main Account - General Component | **$ 139,931** | $ 127,507 |
| Fair value changes not reflected in actuarial value of assets | **(98,854)** | (84,301) |
| Surplus for actuarial valuation purposes | | |
| Main Account - General Component | **41,077** | 43,206 |
| Add: special purpose reserves and accounts | | |
| Main Account - Contribution Stabilization Reserve | **23,704** | - |
| Plan Members' Account | **13,628** | 12,361 |
| City Account | **227** | - |
| Surplus for actuarial valuation purposes - including special purpose reserves and accounts | **$ 78,636** | $ 55,567 |

The funding requirements relating to the Plan's solvency position under The Pension Benefits Regulation, are based on the last actuarial valuation for funding purposes filed with the Manitoba Pension Commission, which will be as at December 31, 2017.

The actuarial valuation as at December 31, 2017 disclosed that the Plan no longer has a solvency deficiency, whereas the actuarial valuation as at December 31, 2016 on file disclosed a solvency deficiency of $9,553 after taking into the account the amount secured by the existing letter of credit.

An irrevocable letter of credit has been used to secure special payments that would otherwise be required from the City of Winnipeg. The existing letter of credit took effect from October 27, 2017 and as of December 31, 2017 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $35,355. The letter of credit expires October 26, 2018.

As the Plan no longer has a solvency deficiency, the letter of credit will no longer be required and will not be renewed.

## 4. *Management of Financial Risk*

In the normal course of business, the Plan’s investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan’s performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan’s position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

### a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan’s investment in bonds and debentures and short-term deposits. At December 31, 2017 the Plan's credit risk exposure related to bonds and debentures and short-term deposits totaled $402,336 (2016 - $318,274).

## 4. *Management of Financial Risk (continued)*

The Plan's concentration of credit risk as at December 31, 2017, related to bonds and debentures, is categorized amongst the following types of issuers:

| Type of Issuer | 2017 Fair Value | 2016 Fair Value |
|---|---|---|
| Government of Canada and Government of Canada guaranteed | **$ 67,524** | $ 51,147 |
| Provincial and Provincial guaranteed | **115,301** | 86,479 |
| Canadian cities and municipalities | **3,092** | 9,197 |
| Corporations and other institutions | **122,513** | 102,747 |
| | **$ 308,430** | $ 249,570 |

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $74,390 at December 31, 2017 (2016 - $44,364).

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| **Credit Rating** | **Percent of Total Bonds** | **Percent of Net Assets** | Percent of Total Bonds | Percent of Net Assets |
| AAA | **27.7** | **5.6** | 26.8 | 4.8 |
| AA | **34.7** | **7.0** | 32.0 | 5.7 |
| A | **25.1** | **5.0** | 28.6 | 5.1 |
| BBB | **12.5** | **2.5** | 12.6 | 2.2 |
| | **100.0** | **20.1** | 100.0 | 17.8 |

At December 31, 2017, the Plan's credit risk exposure related to private debt totaled $74,207 (2016 - $68,525). The Plan's external managers for the private debt portfolios limit credit risk through diversification, performing internal credit analysis and enforcing loan covenants.

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

## 4. *Management of Financial Risk (continued)*

### b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The Plan primarily invests in securities that are traded in active markets and can be readily disposed. The Plan may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 2.5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. The Plan may also invest in private debt, real estate and infrastructure, which are not traded in an organized markets and may be illiquid, but only up to a maximum of 12.5% of the Plan's assets for each asset class, as stipulated in the Plan's Statement of Investment Policies and Procedures.

### c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates or lower benefit levels.

The Plan has approximately 26.1% (2016 - 22.6%) of its assets invested in bonds and debentures and short-term investments as at December 31, 2017. The returns on bonds and debentures are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2017 are as follows:

| **Term to Maturity** | **2017 Fair Value** | 2016 Fair Value |
|---|---|---|
| Less than one year | **$ 7,325** | $ 7,683 |
| One to five years | **94,803** | 73,537 |
| Greater than five years | **206,302** | 168,350 |
| | **$ 308,430** | $ 249,570 |

As at December 31, 2017, had prevailing interest rates raised or lowered by 0.5% (2016 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $15,259 (2016 - $12,354), approximately 1.0% of total net assets (2016 - 0.9%). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to interest rate risk from its private debt investments. The Plan's external investments managers mitigate interest rate risk by making loans that are primarily floating rate instruments.

## 4. *Management of Financial Risk (continued)*

### d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity, private debt and infrastructure investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The following table indicates the Plan's net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2017. The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

| | **2017** | | | | 2016 | |
|---|---|---|---|---|---|---|
| | **Gross Exposure** | **Net Foreign Currency Hedge** | **Net Exposure** | **Impact on Net Assets** | Net Exposure | Impact on Net Assets |
| United States | **$ 390,063** | **$ 13,763** | **$ 376,300** | **$ 37,630** | $ 378,977 | $ 37,898 |
| Euro countries | **83,068** | **6,318** | **76,750** | **7,675** | 66,080 | 6,608 |
| United Kingdom | **61,858** | **16,083** | **45,775** | **4,578** | 34,807 | 3,481 |
| Japan | **28,672** | **-** | **28,672** | **2,867** | 25,761 | 2,576 |
| Hong Kong | **18,857** | **-** | **18,857** | **1,886** | 18,786 | 1,879 |
| Switzerland | **14,964** | **-** | **14,964** | **1,496** | 13,842 | 1,384 |
| Sweden | **12,179** | **-** | **12,179** | **1,218** | 12,544 | 1,254 |
| Australia | **8,613** | **-** | **8,613** | **861** | 6,887 | 689 |
| Other | **22,724** | **6,318** | **16,406** | **1,641** | 16,514 | 1,651 |
| | **$ 640,998** | **$ 42,482** | **$ 598,516** | **$ 59,852** | $ 574,198 | $ 57,420 |

### e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $122,224 (2016 - $117,291), approximately 8.0% of total net assets (2016 - 8.4%). In practice, the actual results may differ and the difference could be material.

**e) Other price risk (continued)**

The Plan also has exposure to valuation risk through its holdings of private equity, private debt, and real estate investments, for which quoted market prices are not available. As at December 31, 2017, the estimated fair value of private equity investments is $16,424 (2016 - $24,165), approximately 1.1% of total net assets (2016 - 1.7%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is $548 (2016 - $17). As at December 31, 2017, the estimated fair value of private debt investments is $74,207 (2016 - $68,525), approximately 4.8% of total net assets (2016 - 4.9%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is ($3,144) (2016 - ($1,070)). As at December 31, 2017, the estimated fair value of real estate debt investments is $110,606 (2016 - $105,674), approximately 7.2% of total net assets (2016 - 7.5%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is $6,605 (2016 - $4,093).

The Plan also has exposure to valuation risk through its holdings of infrastructure investments, for which quoted market prices are not available.

In 2013, the Plan became a client of OMERS Investment Management, and to date has made payments of $44,255 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the Plan with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets"). Under this arrangement the Plan is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value on the contract. The arrangement provides for annual cash distributions to the Plan to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets.

As at December 31, 2017, the estimated fair value of the infrastructure investments is $120,826 (2016 - $107,251), approximately 7.9% of total net assets (2016 - 7.6%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is $6,008 (2016 - ($953)).

**f) Fair value hierarchy**

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

## 4. *Management of Financial Risk (continued)*

### f) Fair value hierarchy (continued)

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2017 and December 31, 2016, classified using the fair value hierarchy described above:

| | **Level 1** | **Level 2** | **Level 3** | **2017 Total Investment Assets at Fair Value** |
|---|---|---|---|---|
| Bonds and debentures | **$ -** | **$ 308,430** | **$ -** | **$ 308,430** |
| Canadian equities | **355,740** | **-** | **-** | **355,740** |
| Foreign equities | **459,152** | **-** | **-** | **459,152** |
| Cash and short-term deposits | **91,917** | **1,989** | **-** | **93,906** |
| Private equities | **-** | **-** | **16,424** | **16,424** |
| Real estate | **-** | **-** | **110,606** | **110,606** |
| Infrastructure | **-** | **-** | **120,826** | **120,826** |
| Private debt | **-** | **-** | **74,207** | **74,207** |
| | **$ 906,809** | **$ 310,419** | **$ 322,063** | **$ 1,539,291** |

| | Level 1 | Level 2 | Level 3 | 2016 Total Investment Assets at Fair Value |
|---|---|---|---|---|
| Bonds and debentures | $ - | $ 249,570 | $ - | $ 249,570 |
| Canadian equities | 335,430 | - | - | 335,430 |
| Foreign equities | 446,517 | - | - | 446,517 |
| Cash and short-term deposits | 65,214 | 3,490 | - | 68,704 |
| Private equities | - | - | 24,165 | 24,165 |
| Real estate | - | - | 105,674 | 105,674 |
| Infrastructure | - | - | 107,251 | 107,251 |
| Private debt | - | - | 68,525 | 68,525 |
| | $ 847,161 | $ 253,060 | $ 305,615 | $ 1,405,836 |

During the year, there have been no significant transfer of amounts between Level 1 and Level 2.

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

| Private Equities | **2017** | 2016 |
|---|---|---|
| Fair value, beginning of year | **$ 24,165** | $ 24,468 |
| Gains recognized in increase in net assets | **548** | 17 |
| Purchases | **94** | 215 |
| Sales/distribution | **(3,499)** | (3,014) |
| Purchases of short-term investments within subsidiary | **3,116** | 2,479 |
| Dividend from subsidiary, accounted for on equity basis | **(8,000)** | - |
| | **$ 16,424** | $ 24,165 |

## 4. *Management of Financial Risk (continued)*

### f) Fair value hierarchy (continued)

| Real Estate | **2017** | 2016 |
|---|---|---|
| Fair value, beginning of year | **$ 105,674** | $ 93,741 |
| Gains recognized in increase in net assets | **6,605** | 4,093 |
| Purchases | **-** | 9,050 |
| Sales | **(1,673)** | (1,210) |
| | **$ 110,606** | $ 105,674 |

| Infrastructure | **2017** | 2016 |
|---|---|---|
| Fair value, beginning of year | **$ 107,251** | $ 107,069 |
| Gains (losses) recognized in increase in net assets | **6,008** | (953) |
| Purchases | **7,594** | 1,620 |
| Sales | **(27)** | (485) |
| | **$ 120,826** | $ 107,251 |

| Private debt | **2017** | 2016 |
|---|---|---|
| Fair value, beginning of year | **$ 68,525** | $ 24,879 |
| (Losses) recognized in increase in net assets | **(3,144)** | (1,070) |
| Purchases | **30,222** | 51,024 |
| Sales | **(21,396)** | (6,308) |
| | **$ 74,207** | $ 68,525 |

Section 3.29 of the Pension Benefits Act Regulations requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Fund. As at December 31, 2017, the Fund held the following investments that met this classification:

| | **2017** |
|---|---|
| Bonds and debentures | |
| TD Emerald Long Bond Broad Market Pooled Fund | **$** 99,171 |
| TD Lancaster Fixed Income Fund II | 81,324 |
| Fiera Active Fixed Income Fund | 81,228 |
| TD Emerald Canadian Bond Pooled Fund Trust | 46,707 |
| Canadian equities | |
| TD Emerald Canadian Equity Index Fund | 87,775 |
| Foreign equities | |
| State Street S&P 500 Index Common Trust Fund | 108,243 |
| Hillsdale Global Performance Equity Fund | 37,830 |

### 4. *Management of Financial Risk (continued)*

#### f) Fair value hierarchy (continued)

| | |
|---|---|
| Cash and short-term deposits | |
| City of Winnipeg short-term deposit | 74,390 |
| Private equities | |
| 5332665 Manitoba Ltd. common shares | 15,771 |
| Real estate | |
| Greystone Real Estate Fund Inc. | 58,568 |
| Bentall Kennedy Prime Canadian Property Fund Ltd. | 52,039 |
| Infrastructure | |
| OIM B4 2013 L.P. | 57,438 |
| IFM Global Infrastructure (Canada), L.P. | 34,421 |
| JPMorgan Infrastructure Investments Fund | 28,865 |
| Private debt | |
| Northleaf Star Investor Corporation | 17,333 |

### 5. *Investment Income*

| | **2017** | 2016 |
|---|---|---|
| Bonds and debentures | **$ 9,334** | $ 9,690 |
| Canadian equities | **9,025** | 9,091 |
| Foreign equities | **7,312** | 7,391 |
| Cash and short-term deposits | **628** | (248) |
| Real estate | **2,022** | 2,250 |
| Infrastructure | **6,099** | 6,447 |
| Private debt | **4,777** | 3,259 |
| | **$ 39,197** | $ 37,880 |
| Allocated to: | | |
| Main Account - General Component | **$ 38,242** | $ 37,547 |
| Main Account - Contribution Stabilization Reserve | **603** | - |
| Plan Members' Account | **346** | 333 |
| City Account | **6** | - |
| | **$ 39,197** | $ 37,880 |

### 6. *Investment Transaction Costs*

During 2017, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $254 (2016 - $350). Investment transaction costs are included in the current period change in fair value of investments.

## 7. Lump Sum Benefits

| | **2017** | 2016 |
|---|---|---|
| Death benefits | **$ -** | $ 1,285 |
| Payments on relationship breakdown | **539** | 341 |
| Termination benefits | **410** | 5 |
| Other | **128** | - |
| | **$ 1,077** | $ 1,631 |

## 8. Administrative Expenses

| | **2017** | 2016 |
|---|---|---|
| The Winnipeg Civic Employees' Benefits Program | **$ 775** | $ 717 |
| Actuarial fees | **121** | 162 |
| Asset liability study | **-** | 114 |
| Audit fee | **26** | 26 |
| Legal fees | **18** | 37 |
| Consulting fees | **1** | 2 |
| General and administrative expenses | **11** | 15 |
| | **$ 952** | $ 1,073 |

## 9. *Commitments*

The Plan's wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000. Commitments will be funded over the next several years. As at December 31, 2017, $19,413 had been funded.

## 10. *Comparative Figures*

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

**THE CITY OF WINNIPEG**
**WINNIPEG POLICE PENSION PLAN**

**SCHEDULE 1**

## SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

*For the year ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Main Account- General Component | Main Account- Contribution Stabilization Reserve | Plan Members' Account | City Account | **Total** |
| ***INCREASE IN ASSETS*** | | | | | |
| Contributions | | | | | |
| The City of Winnipeg | $ 28,288 | $ - | $ - | $ - | **$ 28,288** |
| Employees | 12,817 | - | - | - | **12,817** |
| Reciprocal transfers from other plans | 706 | - | - | - | **706** |
| | 41,811 | - | - | - | **41,811** |
| Investment income (Note 5) | 38,242 | 603 | 346 | 6 | **39,197** |
| Current period change in fair value of investments | 106,986 | 1,685 | 969 | 16 | **109,656** |
| Transfer from Contribution Stabilization Reserve - | | | | | |
| Resolution of funding surplus (Note 3) | (21,500) | 21,500 | - | - | **-** |
| Transfer from City Account - | | | | | |
| Resolution of funding surplus (Note 3) | (206) | - | - | 206 | **-** |
| Total increase in assets | 165,333 | 23,788 | 1,315 | 228 | **190,664** |
| ***DECREASE IN ASSETS*** | | | | | |
| Pension payments | 49,144 | - | - | - | **49,144** |
| Lump sum benefits (Note 7) | 1,077 | - | - | - | **1,077** |
| Administrative expenses (Note 8) | 952 | - | - | - | **952** |
| Investment management and custodial fees | 5,312 | 84 | 48 | 1 | **5,445** |
| Total decrease in assets | 56,485 | 84 | 48 | 1 | **56,618** |
| Increase in net assets | 108,848 | 23,704 | 1,267 | 227 | **134,046** |
| Net assets available for benefits at beginning of year | 1,391,235 | - | 12,361 | - | **1,403,596** |
| Net assets available for benefits at end of year | $ 1,500,083 | $ 23,704 | $ 13,628 | $ 227 | **$ 1,537,642** |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN



## SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

*For the year ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Main Account-General Component | Main Account-Contribution Stabilization Reserve | Plan Members' Account | City Account | Total |
| ***INCREASE IN ASSETS*** | | | | | |
| Contributions | | | | | |
| The City of Winnipeg | $ 28,655 | $ - | $ - | $ - | **$ 28,655** |
| Employees | 12,883 | - | - | - | **12,883** |
| Reciprocal transfers from other plans | 519 | - | - | - | **519** |
| | 42,057 | - | - | - | **42,057** |
| Investment income (Note 5) | 37,547 | - | 333 | - | **37,880** |
| Current period change in fair value of investments | 77,343 | - | 685 | - | **78,028** |
| Total increase in assets | 156,947 | - | 1,018 | - | **157,965** |
| ***DECREASE IN ASSETS*** | | | | | |
| Pension payments | 47,172 | - | - | - | **47,172** |
| Lump sum benefits (Note 7) | 1,631 | - | - | - | **1,631** |
| Administrative expenses (Note 8) | 1,073 | - | - | - | **1,073** |
| Investment management and custodial fees | 4,742 | - | 42 | - | **4,784** |
| Total decrease in assets | 54,618 | - | 42 | - | **54,660** |
| Increase in net assets | 102,329 | - | 976 | - | **103,305** |
| Net assets available for benefits at beginning of year | 1,288,906 | - | 11,385 | - | **1,300,291** |
| Net assets available for benefits at end of year | $ 1,391,235 | $ - | $ 12,361 | $ - | **$ 1,403,596** |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG POLICE PENSION PLAN



## SCHEDULE OF CHANGES IN SURPLUS BY ACCOUNT

*For the year ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Main Account-General Component | Main Account-Contribution Stabilization Reserve | Plan Members' Account | City Account | **Total** |
| ***SURPLUS, BEGINNING OF YEAR*** | $ 127,507 | $ - | $ 12,361 | $ - | **$ 139,868** |
| Increase in net assets available for benefits for the year | 108,848 | 23,704 | 1,267 | 227 | **134,046** |
| Net increase in accrued pension benefits for the year | (96,424) | - | - | - | **(96,424)** |
| ***SURPLUS, END OF YEAR*** | $ 139,931 | $ 23,704 | $ 13,628 | $ 227 | **$ 177,490** |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Main Account-General Component | Main Account-Contribution Stabilization Reserve | Plan Members' Account | City Account | Total |
| ***SURPLUS, BEGINNING OF YEAR*** | $ 66,260 | $ - | $ 11,385 | $ - | $ 77,645 |
| Increase in net assets available for benefits for the year | 102,329 | - | 976 | - | 103,305 |
| Net increase in accrued pension benefits for the year | (41,082) | - | - | - | (41,082) |
| ***SURPLUS, END OF YEAR*** | $ 127,507 | $ - | $ 12,361 | $ - | $ 139,868 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in $ thousands)*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Investments, at fair value | | |
| Bonds and debentures | **$ 57,990** | $ 55,972 |
| Canadian equities | **50,921** | 48,275 |
| Foreign equities | **57,282** | 50,551 |
| Short-term deposits | **1,880** | 2,159 |
| | **168,073** | 156,957 |
| Accounts receivable | **67** | 97 |
| Due from The Winnipeg Civic Employees' Pension Plan | **22** | 14 |
| Employers' contributions receivable | **1** | 1 |
| Total Assets | **168,163** | 157,069 |
| ***LIABILITIES*** | | |
| Accounts payable | **572** | 581 |
| Total Liabilities | **572** | 581 |
| ***NET ASSETS*** *(Note 4)* | **167,591** | 156,488 |
| ***BENEFIT OBLIGATIONS*** | | |
| Civic Employees' Group Life Insurance Plan (Note 5) | **75,826** | 73,263 |
| Police Employees' Group Life Insurance Plan (Note 6) | **19,822** | 18,941 |
| | **95,648** | 92,204 |
| ***SURPLUS*** | **$ 71,943** | $ 64,284 |
| ***SURPLUS COMPRISED OF:*** | | |
| Civic Employees' Group Life Insurance Plan (Note 5) | **$ 59,000** | $ 53,346 |
| Police Employees' Group Life Insurance Plan (Note 6) | **12,943** | 10,938 |
| | **$ 71,943** | $ 64,284 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN NET ASSETS

*For the year ended December 31*
*(in $ thousands)*

| | **2017** | 2016 |
|---|---|---|
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| Employees - basic | **$ 1,366** | $ 1,335 |
| Employees - optional | **378** | 386 |
| | **1,744** | 1,721 |
| City of Winnipeg and participating employers | **1,361** | 1,331 |
| Pensioners | **254** | 244 |
| | **3,359** | 3,296 |
| Current period change in fair value of investments | **7,369** | 4,732 |
| Investment income (Note 8) | **2,851** | 3,988 |
| Total increase in assets | **13,579** | 12,016 |
| ***DECREASE IN ASSETS*** | | |
| Benefit payments | **4,832** | 4,267 |
| Claims administration and taxes | **247** | 233 |
| Administration | **228** | 204 |
| Actuarial fees | **50** | 18 |
| Investment management fees | **5** | 5 |
| Legal fees | **-** | 10 |
| Total decrease in assets | **5,362** | 4,737 |
| Net increase in net assets for the year | **8,217** | 7,279 |
| **NET ASSETS, BEGINNING OF YEAR** | **126,609** | 119,330 |
| **NET ASSETS, END OF YEAR** | **$ 134,826** | $ 126,609 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

*For the year ended December 31*
*(in $ thousands)*

| | **2017** | 2016 |
|---|---|---|
| ***INCREASE IN BENEFIT OBLIGATIONS*** | | |
| Interest accrued on benefits | **$ 3,280** | $ 3,263 |
| Benefits accrued | **2,383** | 3,707 |
| Experience gains and losses and other factors | **-** | 1,557 |
| Total increase in benefit obligations | **5,663** | 8,527 |
| ***DECREASE IN BENEFIT OBLIGATIONS*** | | |
| Benefits paid | **3,100** | 2,533 |
| Changes in actuarial assumptions | **-** | 26,732 |
| Total decrease in benefit obligations | **3,100** | 29,265 |
| ***NET INCREASE (DECREASE) IN BENEFIT OBLIGATIONS FOR THE YEAR*** | **2,563** | (20,738) |
| ***BENEFIT OBLIGATIONS, BEGINNING OF YEAR*** | **73,263** | 94,001 |
| ***BENEFIT OBLIGATIONS, END OF YEAR*** | **$ 75,826** | $ 73,263 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in $ thousands)*

| | 2017 | 2016 |
|---|---|---|
| ***ASSETS*** | | |
| Investments, at fair value | | |
| Bonds and debentures | **$ 57,990** | $ 55,972 |
| Canadian equities | **50,921** | 48,275 |
| Foreign equities | **57,282** | 50,551 |
| Short-term deposits | **1,880** | 2,159 |
| | **168,073** | 156,957 |
| Accounts receivable | **67** | 97 |
| Due from The Winnipeg Civic Employees' Pension Plan | **22** | 14 |
| Employers' contributions receivable | **1** | 1 |
| Total Assets | **168,163** | 157,069 |
| ***LIABILITIES*** | | |
| Accounts payable | **572** | 581 |
| Total Liabilities | **572** | 581 |
| ***NET ASSETS*** *(Note 4)* | **167,591** | 156,488 |
| ***BENEFIT OBLIGATIONS*** | | |
| Civic Employees' Group Life Insurance Plan (Note 5) | **75,826** | 73,263 |
| Police Employees' Group Life Insurance Plan (Note 6) | **19,822** | 18,941 |
| | **95,648** | 92,204 |
| ***SURPLUS*** | **$ 71,943** | $ 64,284 |
| ***SURPLUS COMPRISED OF:*** | | |
| Civic Employees' Group Life Insurance Plan (Note 5) | **$ 59,000** | $ 53,346 |
| Police Employees' Group Life Insurance Plan (Note 6) | **12,943** | 10,938 |
| | **$ 71,943** | $ 64,284 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN NET ASSETS

*For the year ended December 31*
*(in $ thousands)*

| | 2017 | 2016 |
|---|---|---|
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| Employees - basic | **$ 1,366** | $ 1,335 |
| Employees - optional | **378** | 386 |
| | **1,744** | 1,721 |
| City of Winnipeg and participating employers | **1,361** | 1,331 |
| Pensioners | **254** | 244 |
| | **3,359** | 3,296 |
| Current period change in fair value of investments | **7,369** | 4,732 |
| Investment income (Note 8) | **2,851** | 3,988 |
| Total increase in assets | **13,579** | 12,016 |
| ***DECREASE IN ASSETS*** | | |
| Benefit payments | **4,832** | 4,267 |
| Claims administration and taxes | **247** | 233 |
| Administration | **228** | 204 |
| Actuarial fees | **50** | 18 |
| Investment management fees | **5** | 5 |
| Legal fees | **-** | 10 |
| Total decrease in assets | **5,362** | 4,737 |
| Net increase in net assets for the year | **8,217** | 7,279 |
| **NET ASSETS, BEGINNING OF YEAR** | **126,609** | 119,330 |
| **NET ASSETS, END OF YEAR** | **$ 134,826** | $ 126,609 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

*For the year ended December 31*
*(in $ thousands)*

| | **2017** | 2016 |
|---|---|---|
| ***INCREASE IN BENEFIT OBLIGATIONS*** | | |
| Interest accrued on benefits | **$ 3,280** | $ 3,263 |
| Benefits accrued | **2,383** | 3,707 |
| Experience gains and losses and other factors | **-** | 1,557 |
| Total increase in benefit obligations | **5,663** | 8,527 |
| ***DECREASE IN BENEFIT OBLIGATIONS*** | | |
| Benefits paid | **3,100** | 2,533 |
| Changes in actuarial assumptions | **-** | 26,732 |
| Total decrease in benefit obligations | **3,100** | 29,265 |
| ***NET INCREASE (DECREASE) IN BENEFIT OBLIGATIONS FOR THE YEAR*** | **2,563** | (20,738) |
| ***BENEFIT OBLIGATIONS, BEGINNING OF YEAR*** | **73,263** | 94,001 |
| ***BENEFIT OBLIGATIONS, END OF YEAR*** | **$ 75,826** | $ 73,263 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN SURPLUS

*For the year ended December 31*
(in $ thousands)

| | **2017** | 2016 |
|---|---|---|
| Net increase in net assets for the year | **$ 8,217** | $ 7,279 |
| Net (increase) decrease in benefit obligations for the year | **(2,563)** | 20,738 |
| ***NET INCREASE IN SURPLUS FOR THE YEAR*** | **5,654** | 28,017 |
| ***SURPLUS, BEGINNING OF YEAR*** | **53,346** | 25,329 |
| ***SURPLUS, END OF YEAR*** | **$ 59,000** | $ 53,346 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN NET ASSETS

*For the year ended December 31*
*(in $ thousands)*

| | 2017 | 2016 |
|---|---|---|
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| Employees - basic | $ **489** | $ 498 |
| Employees - optional | **93** | 93 |
| | **582** | 591 |
| City of Winnipeg | **488** | 497 |
| Pensioners | **97** | 93 |
| | **1,167** | 1,181 |
| Current period change in fair value of investments | **1,739** | 1,093 |
| Investment income (Note 8) | **673** | 920 |
| Total increase in assets | **3,579** | 3,194 |
| ***DECREASE IN ASSETS*** | | |
| Benefit payments | **553** | 762 |
| Administration | **54** | 47 |
| Claims administration and taxes | **45** | 44 |
| Actuarial fees | **40** | 14 |
| Investment management fees | **1** | 1 |
| Legal fees | **-** | 2 |
| Total decrease in assets | **693** | 870 |
| Net increase in net assets for the year | **2,886** | 2,324 |
| **NET ASSETS, BEGINNING OF YEAR** | **29,879** | 27,555 |
| **NET ASSETS, END OF YEAR** | $ **32,765** | $ 29,879 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

*For the year ended December 31*
(in $ thousands)

| | 2017 | 2016 |
|---|---|---|
| ***INCREASE IN BENEFIT OBLIGATIONS*** | | |
| Benefits accrued | **$ 623** | $ 1,128 |
| Interest accrued on benefits | **853** | 887 |
| Experience gains and losses and other factors | **-** | 848 |
| Total increase in benefit obligations | **1,476** | 2,863 |
| ***DECREASE IN BENEFIT OBLIGATIONS*** | | |
| Benefits paid | **595** | 349 |
| Changes in actuarial assumptions | **-** | 8,885 |
| Total decrease in benefit obligations | **595** | 9,234 |
| ***NET INCREASE (DECREASE) IN BENEFIT OBLIGATIONS FOR THE YEAR*** | **881** | (6,371) |
| ***BENEFIT OBLIGATIONS, BEGINNING OF YEAR*** | **18,941** | 25,312 |
| ***BENEFIT OBLIGATIONS, END OF YEAR*** | **$ 19,822** | $ 18,941 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

## COMBINED STATEMENT OF CHANGES IN SURPLUS

*For the year ended December 31*
(in $ thousands)

| | **2017** | 2016 |
|---|---|---|
| Net increase in net assets for the year | **$ 2,886** | $ 2,324 |
| Net (increase) decrease in benefit obligations for the year | **(881)** | 6,371 |
| ***NET INCREASE IN SURPLUS FOR THE YEAR*** | **2,005** | 8,695 |
| ***SURPLUS, BEGINNING OF YEAR*** | **10,938** | 2,243 |
| ***SURPLUS, END OF YEAR*** | **$ 12,943** | $ 10,938 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

*(As of August 1, 2015, the Plans are the responsibility of The Civic and Police Employees' Group Life Insurance Plans Corporation, a wholly owned City of Winnipeg municipal corporation)*

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

*December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### *1. Description of Plans*

The City of Winnipeg sponsors two group life insurance plans: i) the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg; other than police officers, and certain other employers which participate in the Plan, and ii) the Police Employees' Group Life Insurance Plan for police officers of the City of Winnipeg (separately, the "Plan; together, the "Plans").

The Plans are constituted pursuant to City of Winnipeg By-Law 80/2015, which took effect on August 1, 2015. The predecessor plans – the Civic Employees' Group Life Insurance Plan and Police Employees' Group Life Insurance Plan, which operated pursuant to By-Laws 5644/91 and 5643/91, respectively, were continued under By-Law 80/2015, but with amendment and restatement related to their governance and financial structure.

#### a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the Plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

#### b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

## 2. *Summary of Significant Accounting Policies*

### a) Basis of presentation

These combined financial statements are prepared on a going concern basis and in accordance with Canadian accounting standards for pension plans, which also apply to these benefit plans. In selecting accounting policies not otherwise addressed by Canadian accounting standards for pension plans, Canadian accounting standards for private enterprises ("ASPE") have been applied. The combined financial statements present the aggregate financial position of the Plans as separate financial reporting entities, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

The combined financial statements include the accounts of The Civic and Police Employees' Group Insurance Plans Corporation (the "Corporation"), which as part of its mandate maintains, invests, manages and administers the New Civic Insurance Fund and the New Police Insurance Fund. The combined financial statements also include the accounts of the Old Civic Insurance Fund and the Old Police Insurance Fund, which are administered and held in trust by the Corporation in its capacity as trustee (the "Trustee") within the Plans' financial structure.

The combined financial statements also include contributions and related insurance premiums which are directly applied at source by the Corporation, acting in a trust capacity. Inter-fund transactions and balances are eliminated for Plan reporting purposes.

Under the insurance contract, the Plans bear the full claims experience, together with related claims administration expenses. Insurance premiums in amounts equal to insurance claims and related claims administration expenses are reclassified for Plan reporting purposes as benefits and claims administration expenses, respectively. Any excess premiums arising in the year are ultimately refunded and are recognized as an amount due from the insurance company. Similarly, any premium shortfalls must ultimately be settled and are recognized as amounts due to the insurance company.

The benefit obligations presented in the combined financial statements of the Plan relate to the obligations of the City of Winnipeg under By-law 80/2015.

These combined financial statements include the operating results for the year ended December 31, 2017, with comparatives for the period ended December 31, 2016.

A supplementary schedule is attached to these financial statements, which provides financial information about the New Insurance Funds and Old Insurance Funds which comprise the Plans.

## 2. *Summary of Significant Accounting Policies (continued)*

### b) Investments and investment income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published market prices. Short-term deposits are recorded at cost, which together with accrued interest income, approximates fair value. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

### c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans, which also apply to these benefit plans, requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates.

## 3. *Financial Structure*

The Plans' financial structure is in accordance with the requirements of City of Winnipeg By-law 80/2015.

As of August 1, 2015, the Plans are the responsibility of the Corporation, incorporated pursuant to The Corporations Act (Manitoba) as a corporation with share capital. All of the issued and outstanding shares in the capital of the Corporation are owned by the City of Winnipeg.

The Corporation was established to maintain, manage and administer the Plans (including their related funds) sponsored by the City of Winnipeg, in both its own capacity and in its capacity as Trustee. The Corporation's mandate is in accordance with the requirements of City of Winnipeg By-Law 80/2015, which took effect on August 1, 2015.

### *3. Financial Structure (continued)*

On August 1, 2015, pursuant to restructure, the net assets of the predecessor Plans were conveyed to the Trustee on behalf of the Old Civic Insurance Fund and Old Police Insurance Fund, respectively. The conveyed assets were subsequently sold to the Corporation at fair market value. In exchange for the investments sold, the Trustee received non-interest bearing promissory notes, which are held and accounted for within the Old Civic Insurance Fund and Old Police Insurance Fund. The conveyed assets acquired by the Corporation, as referenced above, are held and accounted for within the New Civic Insurance Fund and New Police Insurance Fund, respectively.

Each of the New Civic Insurance Fund and New Police Insurance Fund is held within the Corporation. Each of the Old Civic Insurance Fund and Old Police Insurance Fund is held in trust by the Corporation in its capacity as the Trustee. In addition, the Corporation, acting in an informal trust capacity, collects the portion of the Plans' contributions to be remitted on a first applied basis to the Plans' insurance company, and accordingly, may at any point hold in trust contributions equal to unremitted premiums.

The assets of the Old Civic Insurance Fund and the Old Police Insurance Fund are available to fund a portion of the premiums for retirees under the Plans. These assets will diminish as they are used to fund insurance premiums for retired members in accordance with the respective Plans.

Effective August 1, 2015, all contributions to the Plans which are not first applied to insurance premiums are credited to the New Civic Insurance Fund and New Police Insurance Fund, as applicable. All investment earnings on and after August 1, 2015 which relate to the assets of the New Civic Insurance Fund and New Police Insurance Fund are credited to the New Civic Insurance Fund and New Police Insurance Fund, respectively. All Plan administration and corporate operating costs on and after August 1, 2015 related to the Plans are charged to the New Civic Insurance Fund and New Police Insurance Fund, respectively. The assets of the New Civic Insurance Fund and New Police Insurance Fund are available to fund a portion of the premiums for retirees under the respective Plans.

The By-Law permits the Corporation to transfer ownership of funds from the New Civic Insurance Fund to the Old Civic Insurance Fund and from the New Police Insurance Fund to the Old Police Insurance Fund, if it is determined by the Directors of the Corporation to be in the overall best interests of the Plan members.

The Corporation has arranged for the Program Administration staff of The Winnipeg Civic Employees' Benefits Program to perform the day-to-day administration, excluding investments. The Plans' investments are managed by the City of Winnipeg. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

### *4. Net Assets*

The Plans' net assets represent reserves that are available to finance the portion of the post-retirement insurance expected to be provided in the future to the members of the Plans that are not financed by retiree contributions. The reserves are also available to finance the related future insurer charges and Plans' administration costs.

## 4. *Net Assets (continued)*

The Plan's  net assets are allocated as follows:

| | **2017 Fair Value** | 2016 Fair Value |
|---|---|---|
| Net Assets - Civic Employees' Group Life Insurance Plan | **$ 134,826** | $ 126,609 |
| Net Assets - Police Employees' Group Life Insurance Plan | **32,765** | 29,879 |
| | **$ 167,591** | $ 156,488 |

## 5. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Plan was performed as of December 31, 2016 by Eckler Ltd.  The results of the December 31, 2016 actuarial valuation were extrapolated to December 31, 2017, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2017.  For the comparative 2016 figures, the actuarial present value of accrued post-retirement basic life insurance benefits at December 31, 2016 is based on the results of the December 31, 2016 actuarial valuation performed by Eckler Ltd.  The assumptions used were approved by the Corporation.  The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions.  Significant long term actuarial assumptions used in preparing the financial statements included a discount rate of 4.50% (2016 – 4.50%) per year and general increases in pay of 3.50% (2016 – 3.50%) per year.  The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The triennial actuarial valuation as at December 31, 2016 disclosed an actuarial surplus of $39,610 (2013 – $33,342) and a contingency reserve in the amount of $10,989 (2013 – $7,431).

## 5. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan (continued)*

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smooths out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets of the Plan in determining the estimated actuarial surplus or deficiency is as follows:

| | **2017** | 2016 |
|---|---|---|
| Surplus for financial statement reporting purposes | **$ 59,000** | $ 53,346 |
| Fair value changes not reflected in actuarial value of assets | **(5,809)** | (2,747) |
| Surplus for actuarial valuation purposes, as estimated | **$ 53,191** | $ 50,599 |

## 6. *Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan*

An actuarial valuation of the Plan was performed as of December 31, 2016 by Eckler Ltd. The results of the December 31, 2016 valuation were extrapolated to December 31, 2017, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as a December 31, 2017. For the comparative 2016 figures, the actuarial present value of accrued post-retirement basic life insurance benefits at December 31, 2016 is based on the results of the December 31, 2016 actuarial valuation performed by Eckler Ltd. The assumptions used were approved by the Corporation. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a discount rate of 4.50% (2016 – 4.50%) per year and general increases in pay of 3.50% (2016 – 3.50%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

### *6. Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan (continued)*

The triennial actuarial valuation as at December 31, 2016 disclosed an actuarial surplus of $7,478 (2013 – $5,436) and a contingency reserve in the amount of $2,841 (2013 – $1,843).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smooths out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets of the Plan in determining the estimated actuarial surplus or deficiency is as follows:

| | **2017** | 2016 |
|---|---|---|
| Surplus for financial statement reporting purposes | **$ 12,943** | $ 10,938 |
| Fair value changes not reflected in actuarial value of assets | **(1,331)** | (619) |
| Surplus for actuarial valuation purposes, as estimated | **$ 11,612** | $ 10,319 |

### *7. Management of Financial Risk*

In the normal course of business, the Plans' investment activities expose it to a variety of financial risks. The Plans seek to minimize potential adverse effects of these risks on the Plans' performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plans' position and market events and by diversifying the investment portfolio within the constraints of the investment policy and objectives. Significant risks that are relevant to the Plans are discussed below.

#### a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plans, and is concentrated in the Plans' investment in bonds and debentures and short-term deposits. At December 31, 2017, the Plans' credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $59,870 (2016 - $58,131).

The Plans' concentration of credit risk as at December 31, 2017, related to bonds and debentures, is categorized amongst the following types of issuers:

## 7. *Management of Financial Risk (continued)*

### a) Credit risk (continued)

| | **2017 Fair Value** | 2016 Fair Value |
|---|---|---|
| Type of Issuer | | |
| Government of Canada and Government of Canada guaranteed | **$ 18,638** | $ 18,376 |
| Provincial and Provincial guaranteed | **15,698** | 15,068 |
| Canadian cities and municipalities | **365** | 190 |
| Corporations and other institutions | **23,289** | 22,338 |
| | **$ 57,990** | $ 55,972 |

The Plans limit credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Percent of Total Bonds** | **Percent of Net Assets** | Percent of Total Bonds | Percent of Net Assets |
| Credit Rating | | | | |
| AAA | **36.2** | **12.9** | 37.8 | 13.5 |
| AA | **34.7** | **12.4** | 40.6 | 14.5 |
| A | **28.7** | **10.3** | 21.4 | 7.7 |
| BB | **0.4** | **0.1** | 0.2 | 0.1 |
| | **100.0** | **35.7** | 100.0 | 35.8 |

### b) Liquidity risk

Liquidity risk is the risk that the Plans will encounter difficulty in meeting obligations associated with financial liabilities. The Plans ensure they retain sufficient cash and short-term investment positions to meet their cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The Plans invest solely in securities that are traded in active markets and can be readily disposed.

### c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plans' interest bearing investments will fluctuate due to changes in market interest rates. The Plans' exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

## 7. *Management of Financial Risk (continued)*

### c) Interest rate risk (continued)

The Plans' actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of salary escalation. The Plans' primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet the Plans' obligations.

The Plans have approximately 36% (2016 – 37%) of their assets invested in fixed income securities as at December 31, 2017. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plans at December 31, 2017 are as follows:

| | **2017 Fair Value** | 2016 Fair Value |
|---|---|---|
| Term to Maturity | | |
| One to five years | **$ 32,068** | $ 30,897 |
| Greater than five years | **25,922** | 25,075 |
| | **$ 57,990** | $ 55,972 |

As at December 31, 2017, had prevailing interest rates raised or lowered by 0.5% (2016 – 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $1,940 (2016 - $1,808), approximately 1.2% of total net assets (2016 – 1.2%). The Plans' sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

### d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plans' holdings of foreign equity investments and short-term deposits. The Plans' investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plans' net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2017.

The table also illustrates the potential impact to the Plans' net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### *7. Management of Financial Risk (continued)*

**d) Foreign currency risk (continued)**

| | **2017** | | | | 2016 | |
|---|---|---|---|---|---|---|
| | **Gross Exposure** | **Net Foreign Currency Hedge** | **Net Exposure** | **Impact on Net Assets** | Net Exposure | Impact on Net Assets |
| United States | **$ 29,818** | **$ -** | **$ 29,818** | **$ 2,982** | $ 27,079 | $ 2,708 |
| Euro Countries | **7,052** | **-** | **7,052** | **705** | 5,680 | 568 |
| Japan | **6,933** | **-** | **6,933** | **693** | 5,978 | 598 |
| United Kingdom | **4,972** | **-** | **4,972** | **497** | 4,476 | 448 |
| Switzerland | **2,099** | **-** | **2,099** | **210** | 2,005 | 200 |
| Australia | **1,907** | **-** | **1,907** | **191** | 1,731 | 173 |
| Hong Kong | **927** | **-** | **927** | **93** | 805 | 80 |
| Sweden | **841** | **-** | **841** | **84** | 759 | 76 |
| Other | **3,110** | **-** | **3,110** | **311** | 2,747 | 275 |
| | **$ 57,659** | **$ -** | **$ 57,659** | **$ 5,766** | $ 51,260 | $ 5,126 |

**e) Other price risk**

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plans' policy is to invest in a diversified portfolio of investments. As well, the Plans’ Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For these Plans, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $16,230 (2016 – $14,824), approximately 9.7% of total net assets (2016 – 9.5%). In practice, the actual results may differ and the difference could be material.

## 7. *Management of Financial Risk (continued)*

### f) Fair value hierarchy

Financial instruments recorded at fair value on the Combined Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the investment assets recorded at fair value in the Combined Statement of Financial Position as at December 31, 2017 and December 31, 2016, classified using the fair value hierarchy described above:

| | **Level 1** | **Level 2** | **Level 3** | **2017 Total Investment Assets at Fair Value** |
|---|---|---|---|---|
| Bonds and debentures | **$ 57,990** | **$ -** | **$ -** | **$ 57,990** |
| Canadian equities | **50,921** | **-** | **-** | **50,921** |
| Foreign equities | **57,282** | **-** | **-** | **57,282** |
| Cash and short term deposits | **1,880** | **-** | **-** | **1,880** |
| | **$ 168,073** | **$ -** | **$ -** | **$ 168,073** |

| | Level 1 | Level 2 | Level 3 | 2016 Total Investment Assets at Fair Value |
|---|---|---|---|---|
| Bonds and debentures | $ 55,972 | $ - | $ - | $ 55,972 |
| Canadian equities | 48,275 | - | - | 48,275 |
| Foreign equities | 50,551 | - | - | 50,551 |
| Cash and short term deposits | 2,159 | - | - | 2,159 |
| | $ 156,957 | $ - | $ - | $ 156,957 |

### 8. *Investment Income*

| | 2017 | 2016 |
|---|---|---|
| Bonds and debentures | **$ 1,347** | $ 1,486 |
| Foreign equities | **1,127** | 1,329 |
| Canadian equities | **1,054** | 2,146 |
| Cash, short-term deposits and other | **(4)** | (53) |
| | **$ 3,524** | $ 4,908 |
| Allocated to: | | |
| Civic Employees' Group Life Insurance Plan | **$ 2,851** | $ 3,988 |
| Police Employees' Group Life Insurance Plan | **673** | 920 |
| | **$ 3,524** | $ 4,908 |

### 9. *Investment Transaction Costs*

During the period, the Plans incurred investment transaction costs in the form of brokerage commissions, in the amount of $4 (2016 - $3). Investment transaction costs are included in the current period change in market value of investments.

### 10. *Income Tax Status*

On February 28, 2013, the Canada Revenue Agency ("CRA") verbally informed the City of Winnipeg that, in its view, the assets held in the Plans constituted assets that were being held in trust funds and should be reported for income tax purposes as such. CRA further informed that it was prepared to accept the trusts commencing their income tax reporting on a prospective basis starting with the 2013 year, such that years prior to 2013 would not need to be reported. On November 26, 2013, CRA informed the City of Winnipeg in writing that it has extended this administrative relief to December 31, 2013 and on April 27, 2015, CRA again extended relief to December 31, 2015.

Effective August 1, 2015, the Plans' assets which earn investment income are held in the New Civic Insurance Fund and New Police Insurance Fund within the Corporation. The Corporation is wholly owned by the City of Winnipeg. The Corporation is considered to be non-taxable as part of municipal government.

Also effective August 1, 2015, the Plans' non-interest bearing assets are held within the Old Civic Insurance Fund and Old Police Insurance Fund, for each of which the Corporation is the trustee. The Old Civic Insurance Fund and Old Police Insurance Fund were continued from the predecessor Plans. As noted above, CRA has previously informed the City of Winnipeg that it was prepared to accept these trusts commencing their income tax reporting on a prospective basis starting in 2016, such that years prior to 2016 would not need to be reported. As currently structured, these trusts will not have any taxable income to report.

**THE CITY OF WINNIPEG**
**CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and**
**POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN**

**Schedule 1**

## SCHEDULE OF STATEMENT OF FINANCIAL POSITION BY PLANS AND FUNDS

*As at December 31*
*(in $ thousands)*

| | | 2017 Allocated as: | | | | | |
|---|---|---|---|---|---|---|---|
| | | Civic Employees' Plan | | | Police Employees' Plan | | |
| | Civic and Police Employees' Group Life Insurance Plans | Old Civic Insurance Fund | New Civic Fund | Total | Old Police Insurance Fund | New Police Insurance Fund | Total |
| ***ASSETS*** | | | | | | | |
| Investments, at fair value | | | | | | | |
| Bonds and debentures | $ 57,990 | | | | | | |
| Canadian equities | 50,921 | | | | | | |
| Foreign equities | 57,282 | | | | | | |
| Cash and short-term deposits | 561 | | | | | | |
| | 166,754 | $ - | $ 134,410 | $ 134,410 | $ - | $ 32,344 | $ 32,344 |
| Funds on deposit - Great-West Life | 1,319 | - | 814 | 814 | - | 505 | 505 |
| | 168,073 | - | 135,224 | 135,224 | - | 32,849 | 32,849 |
| Accounts receivable | 67 | 120 | (64) | 56 | 21 | (10) | 11 |
| Due from The Winnipeg Civic Employees' Pension Plan | 22 | - | 18 | 18 | - | 4 | 4 |
| Employers' contributions receivable | 1 | - | 1 | 1 | - | - | - |
| Total Assets | 168,163 | 120 | 135,179 | 135,299 | 21 | 32,843 | 32,864 |
| ***LIABILITIES*** | | | | | | | |
| Accounts payable | 299 | - | 244 | 244 | - | 55 | 55 |
| Premium Payable | 273 | 120 | 109 | 229 | 21 | 23 | 44 |
| Total Liabilities | 572 | 120 | 353 | 473 | 21 | 78 | 99 |
| **LOAN BETWEEN INSURANCE FUNDS** | - | 134,826 | (134,826) | - | 32,765 | (32,765) | - |
| ***NET ASSETS*** | $ 167,591 | $ 134,826 | $ - | 134,826 | $ 32,765 | $ - | 32,765 |
| **BENEFIT OBLIGATIONS** | | | | 75,826 | | | 19,822 |
| **SURPLUS** | | | | $ 59,000 | | | $ 12,943 |

**Schedule 1**

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES’ GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES’ GROUP LIFE INSURANCE PLAN

## SCHEDULE OF STATEMENT OF FINANCIAL POSITION BY PLANS AND FUNDS

*As at December 31*
*(in $ thousands)*

| | | 2016 Allocated as: Civic Employees' Plan | | | Police Employees' Plan | | |
|---|---|---|---|---|---|---|---|
| | Civic and Police Employees' Group Life Insurance Plans | Old Civic Insurance Fund | New Civic Fund | Total | Old Police Insurance Fund | New Police Insurance Fund | Total |
| ***ASSETS*** | | | | | | | |
| Investments, at fair value | | | | | | | |
| Bonds and debentures | $ 55,972 | | | | | | |
| Canadian equities | 48,275 | | | | | | |
| Foreign equities | 50,551 | | | | | | |
| Cash and short-term deposits | 714 | | | | | | |
| | 155,512 | $ - | $ 125,826 | $ 125,826 | $ - | $ 29,686 | $ 29,686 |
| Funds on deposit - Great-West Life | 1,445 | - | 1,176 | 1,176 | - | 269 | 269 |
| | 156,957 | - | 127,002 | 127,002 | - | 29,955 | 29,955 |
| Accounts receivable | 97 | 114 | (36) | 78 | 19 | - | 19 |
| Due from The Winnipeg Civic Employees' Pension Plan | 14 | - | 11 | 11 | - | 3 | 3 |
| Employers' contributions receivable | 1 | - | 1 | 1 | - | - | - |
| Total Assets | 157,069 | 114 | 126,978 | 127,092 | 19 | 29,958 | 29,977 |
| ***LIABILITIES*** | | | | | | | |
| Accounts payable | 317 | - | 261 | 261 | - | 56 | 56 |
| Premium Payable | 264 | 114 | 108 | 222 | 19 | 23 | 42 |
| Total Liabilities | 581 | 114 | 369 | 483 | 19 | 79 | 98 |
| **LOAN BETWEEN INSURANCE FUNDS** | - | 126,609 | (126,609) | - | 29,879 | (29,879) | - |
| ***NET ASSETS*** | $ 156,488 | $ 126,609 | $ - | 126,609 | $ 29,879 | $ - | 29,879 |
| **BENEFIT OBLIGATIONS** | | | | 73,263 | | | 18,941 |
| **SURPLUS** | | | | $ 53,346 | | | $ 10,938 |

## THE CITY OF WINNIPEG
## CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
## POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

**Schedule 2**

### SCHEDULE OF STATEMENT OF CHANGES IN NET ASSETS BY PLANS AND FUNDS

*For the year ended December 31*
*(in $ thousands)*

| | | 2017 Allocated as: | | | | | |
|---|---|---|---|---|---|---|---|
| | | Civic Employees' Plan | | | Police Employees' Plan | | |
| | Civic and Police Employees' Group Life Insurance Plans | Old Civic Insurance Fund | New Civic Fund | Total | Old Police Insurance Fund | New Police Insurance Fund | Total |
| ***INCREASE IN ASSETS*** | | | | | | | |
| Contributions | | | | | | | |
| Employees - basic | $ 1,855 | $ - | $ 1,366 | $ 1,366 | $ - | $ 489 | $ 489 |
| Employees - optional | 471 | - | 378 | 378 | - | 93 | 93 |
| | 2,326 | - | 1,744 | 1,744 | - | 582 | 582 |
| The City of Winnipeg and participating employers | 1,849 | - | 1,361 | 1,361 | - | 488 | 488 |
| Pensioners | 351 | - | 254 | 254 | - | 97 | 97 |
| | 4,526 | - | 3,359 | 3,359 | - | 1,167 | 1,167 |
| Current period change in fair value of investments | 9,108 | - | 7,369 | 7,369 | - | 1,739 | 1,739 |
| Investment income | 3,524 | - | 2,851 | 2,851 | - | 673 | 673 |
| Total increase in assets | 17,158 | - | 13,579 | 13,579 | - | 3,579 | 3,579 |
| ***DECREASE IN ASSETS*** | | | | | | | |
| Benefit payments | 5,385 | 3,042 | 1,790 | 4,832 | 523 | 30 | 553 |
| Claims administration and taxes | 292 | - | 247 | 247 | - | 45 | 45 |
| Administration | 282 | - | 228 | 228 | - | 54 | 54 |
| Actuarial fees | 90 | - | 50 | 50 | - | 40 | 40 |
| Investment management fees | 6 | - | 5 | 5 | - | 1 | 1 |
| Legal fees | - | - | - | - | - | - | - |
| Total decrease in assets | 6,055 | 3,042 | 2,320 | 5,362 | 523 | 170 | 693 |
| **NET INCREASE IN NET ASSETS FOR THE YEAR** | 11,103 | (3,042) | 11,259 | 8,217 | (523) | 3,409 | 2,886 |
| **NET ASSETS, BEGINNING OF YEAR** | 156,488 | 126,609 | - | 126,609 | 29,879 | - | 29,879 |
| **TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF YEAR** | - | 11,259 | (11,259) | - | 3,409 | (3,409) | - |
| **NET ASSETS, END OF YEAR** | $ 167,591 | $ 134,826 | $ - | $ 134,826 | $ 32,765 | $ - | $ 32,765 |

## THE CITY OF WINNIPEG
## CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
## POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

Schedule 2

### SCHEDULE OF STATEMENT OF CHANGES IN NET ASSETS BY PLANS AND FUNDS

*For the year ended December 31*
*(in $ thousands)*

| | | 2016 Allocated as: | | | | | |
|---|---|---|---|---|---|---|---|
| | | Civic Employees' Plan | | | Police Employees' Plan | | |
| | Civic and Police Employees' Group Life Insurance Plans | Old Civic Insurance Fund | New Civic Fund | Total | Old Police Insurance Fund | New Police Insurance Fund | Total |
| ***INCREASE IN ASSETS*** | | | | | | | |
| Contributions | | | | | | | |
| Employees - basic | $ 1,833 | $ - | $ 1,335 | $ 1,335 | $ - | $ 498 | $ 498 |
| Employees - optional | 479 | - | 386 | 386 | - | 93 | 93 |
| | 2,312 | - | 1,721 | 1,721 | - | 591 | 591 |
| The City of Winnipeg and participating employers | 1,828 | - | 1,331 | 1,331 | - | 497 | 497 |
| Pensioners | 337 | - | 244 | 244 | - | 93 | 93 |
| | 4,477 | - | 3,296 | 3,296 | - | 1,181 | 1,181 |
| Current period change in fair value of investments | 5,825 | - | 4,732 | 4,732 | - | 1,093 | 1,093 |
| Investment income | 4,908 | - | 3,988 | 3,988 | - | 920 | 920 |
| Total increase in assets | 15,210 | - | 12,016 | 12,016 | - | 3,194 | 3,194 |
| ***DECREASE IN ASSETS*** | | | | | | | |
| Benefit payments | 5,029 | 2,891 | 1,376 | 4,267 | 498 | 264 | 762 |
| Claims administration and taxes | 277 | - | 233 | 233 | - | 44 | 44 |
| Administration | 251 | - | 204 | 204 | - | 47 | 47 |
| Actuarial fees | 32 | - | 18 | 18 | - | 14 | 14 |
| Legal fees | 12 | - | 10 | 10 | - | 2 | 2 |
| Investment management fees | 6 | - | 5 | 5 | - | 1 | 1 |
| Total decrease in assets | 5,607 | 2,891 | 1,846 | 4,737 | 498 | 372 | 870 |
| **NET INCREASE IN NET ASSETS FOR THE YEAR** | 9,603 | (2,891) | 10,170 | 7,279 | (498) | 2,822 | 2,324 |
| **NET ASSETS, BEGINNING OF YEAR** | 146,885 | 119,330 | - | 119,330 | 27,555 | - | 27,555 |
| **TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF YEAR** | - | 10,170 | (10,170) | - | 2,822 | (2,822) | - |
| **NET ASSETS, END OF YEAR** | $ 156,488 | $ 126,609 | $ - | $ 126,609 | $ 29,879 | $ - | $ 29,879 |

## THE CITY OF WINNIPEG Schedule 3
## CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

### SCHEDULE OF STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS BY PLANS

*For the year ended December 31*
*(in $ thousands)*

| | 2017 | Allocated as: | |
|---|---|---|---|
| | **Civic and Police Employees' Group Life Insurance Plans** | **Civic Employees' Plan** | **Police Employees' Plan** |
| ***INCREASE IN BENEFIT OBLIGATIONS*** | | | |
| Interest on benefit obligations | $ 4,133 | $ 3,280 | $ 853 |
| Benefits accrued | 3,006 | 2,383 | 623 |
| Experience gains and losses and other factors | - | - | - |
| Total increase in benefit obligations | 7,139 | 5,663 | 1,476 |
| ***DECREASE IN BENEFIT OBLIGATIONS*** | | | |
| Benefits paid | 3,695 | 3,100 | 595 |
| Changes in actuarial assumptions | - | - | - |
| Total decrease in benefit obligations | 3,695 | 3,100 | 595 |
| **NET DECREASE IN BENEFIT OBLIGATIONS** | 3,444 | 2,563 | 881 |
| **ACCRUED BENEFIT OBLIGATIONS, BEGINNING OF YEAR** | 92,204 | 73,263 | 18,941 |
| **ACCRUED BENEFIT OBLIGATIONS, END OF YEAR** | $ 95,648 | $ 75,826 | $ 19,822 |

## THE CITY OF WINNIPEG Schedule 3
## CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

### SCHEDULE OF STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS BY PLANS

*For the year ended December 31*
*(in $ thousands)*

| | 2016 | | |
|---|---|---|---|
| | | Allocated as: | |
| | Civic and Police Employees' Group Life Insurance Plans | Civic Employees' Plan | Police Employees' Plan |
| ***INCREASE IN BENEFIT OBLIGATIONS*** | | | |
| Benefits accrued | **$ 4,835** | **$ 3,707** | **$ 1,128** |
| Interest on benefit obligations | **4,150** | **3,263** | **887** |
| Experience gains and losses and other factors | **2,405** | **1,557** | **848** |
| Total increase in benefit obligations | **11,390** | **8,527** | **2,863** |
| ***DECREASE IN BENEFIT OBLIGATIONS*** | | | |
| Changes in actuarial assumptions | **35,617** | **26,732** | **8,885** |
| Benefits paid | **2,882** | **2,533** | **349** |
| Total decrease in benefit obligations | **38,499** | **29,265** | **9,234** |
| **NET DECREASE IN BENEFIT OBLIGATIONS** | **(27,109)** | **(20,738)** | **(6,371)** |
| **ACCRUED BENEFIT OBLIGATIONS, BEGINNING OF YEAR** | **119,313** | **94,001** | **25,312** |
| **ACCRUED BENEFIT OBLIGATIONS, END OF YEAR** | **$ 92,204** | **$ 73,263** | **$ 18,941** |

# THE CITY OF WINNIPEG
# TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

## FIVE-YEAR REVIEW

*As at December 31*
*("$" amounts in thousands of dollars)*
*(unaudited)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Population (Statistics Canada) | **749,500** | 730,300 | 718,400 | 709,253 | 698,696 |
| Consolidated debt (1) | $ **1,141,107** | $ 1,145,521 | $ 1,069,893 | 1,086,699 | 995,633 |
| Net tax-supported debt (2) | $ **814,077** | $ 801,091 | $ 764,371 | 713,804 | 554,127 |
| Debt per capita: | | | | | |
| Consolidated (dollars) | $ **1,522** | $ 1,569 | $ 1,489 | 1,532 | 1,425 |
| Net tax-supported (dollars) | $ **1,086** | $ 1,097 | $ 1,064 | 1,006 | 793 |
| Non-portioned taxable assessments (millions) (3) | $ **85,345** | $ 84,205 | $ 76,118 | 74,856 | 65,346 |
| Debt as a % of non-portioned taxable assessments | | | | | |
| Consolidated | **1.3%** | 1.4% | 1.4% | 1.5% | 1.5% |
| Net tax-supported | **1.0%** | 1.0% | 1.0% | 1.0% | 0.8% |
| Consolidated revenues (4) | $ **1,842,767** | $ 1,734,846 | $ 1,755,285 | 1,716,536 | 1,619,258 |
| Consolidated debt as a % of consolidated revenues | **61.9%** | 66.0% | 61.0% | 63.3% | 61.5% |

Notes:

(1) Consolidated debt is gross debt outstanding, including premiums and discounts, for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.

(2) Net tax-supported debt is gross debt of the General Capital and Transit System Funds net of sinking funds.

(3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.

(4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations, investment in government businesses and special operating agencies, but excludes revenues collected on behalf of school authorities.

Photo: Aaron Cohen, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

*As at December 31, 2017*
*(unaudited)*

| | | General Municipal Purposes | City-owned Utilities | | | | Special Operating Agencies | |
|---|---|---|---|---|---|---|---|---|
| By-Law Number | Minister of Finance/Council Approval | General | Transit System | Waterworks System | Sewage Disposal System | Solid Waste Disposal | Fleet Management | Total |
| 6520/94 | December 2/94 | $ 7,000,000 | $ - | $ - | $ - | $ - | $ - | $ 7,000,000 |
| 6774/96 | April 16/96 | 14,801,000 | - | - | - | - | - | 14,801,000 |
| 6973/97 | March 17/97 | 27,254,138 | - | - | - | - | - | 27,254,138 |
| 6976/97 | March 17/97 | 18,213,000 | - | - | - | - | - | 18,213,000 |
| 7751/01 | March 9/01 | 14,699,820 | - | - | - | - | - | 14,699,820 |
| 72/2006 | March 22/06 | 2,627,045 | - | - | - | - | - | 2,627,045 |
| 32/2007 | February 21/07 | 1,696,000 | - | - | - | - | - | 1,696,000 |
| 219/2007 | January 23/08 | 3,488,000 | - | - | 10,748,000 | - | - | 14,236,000 |
| 184/2008 | May 27/09 | 7,845,000 | - | - | 52,392,000 | - | - | 60,237,000 |
| 120/2009 | November 25/09 | 50,000,000 | - | - | - | - | - | 50,000,000 |
| 150/2009 | January 27/10 | - | - | - | 69,865,000 | - | - | 69,865,000 |
| 144/2011 | January 25/12 | 18,967,000 | - | - | - | - | - | 18,967,000 |
| 100/2012 | December 12/12 | 10,000,000 | - | - | - | - | - | 10,000,000 |
| | December 11/13 | - | - | - | - | - | 2,900,000 | 2,900,000 |
| 149/2013 | March 26/14 | 5,024,000 | - | - | - | - | - | 5,024,000 |
| | January 28/15 | - | - | - | - | - | 11,330,000 | 11,330,000 |
| 5/2015 | June 17/15 | 135,000 | 31,000,000 | - | 154,350,000 | - | - | 185,485,000 |
| 20/2016 | May 18/16 | - | 112,000,000 | - | - | - | - | 112,000,000 |
| 40/2016 | April 27/16 | 51,892,000 | 21,664,000 | - | 579,286,000 | - | - | 652,842,000 |
| | April 27/16 | - | - | - | - | - | 9,675,000 | 9,675,000 |
| 136/2016 | January 25/17 | 30,530,000 | 23,550,000 | - | - | 5,753,000 | - | 59,833,000 |
| | June 21/17 | - | - | - | - | - | 9,635,000 | 9,635,000 |
| | December 13/17 | - | - | - | - | - | 10,383,000 | 10,383,000 |
| | | $ 264,172,003 | $ 188,214,000 | $ - | $ 866,641,000 | $ 5,753,000 | $ 43,923,000 | $ 1,368,703,003 |

City Council has the authority under the City of Winnipeg Charter to approve the borrowing authority for Special Operating Agencies. Therefore, the City is not required to obtain approval from the Minister of Finance and to create a by-law.

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS (continued)
*As at December 31, 2017*

| | |
|---|---|
| Outstanding Capital Borrowing Authorization at December 31, 2016 | $ 1,285,633,283 |
| Prior year to include Bylaw 144/2011 for General Municipal Purposes | 18,967,000 |
| Restated, December 31, 2016 | 1,304,600,283 |
| Add: | |
| By-law 136/2016 | 59,833,000 |
| By-law 96/2017 | 17,000,000 |
| Fleet Borrowing - 2017 Business Plan | 9,635,000 |
| Fleet Borrowing - 2018 Business Plan | 10,383,000 |
| Deduct: | |
| Unused Borrowing Authority Rescinded per Bylaw 136/2016 | (4,848,280) |
| Toronto Dominion Bank Fleet Loan | (10,900,000) |
| Toronto Dominion Bank Sinking Fund Loan | (17,000,000) |
| Outstanding Capital Borrowing Authorization at December 31, 2017 | $ 1,368,703,003 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT ISSUES
*As at December 31, 2017*
*(unaudited)*

| Term | Month | Interest Rate | By-Law Number | Amount of Debt |
|---|---|---|---|---|
| ***The City of Winnipeg*** | | | | |
| **Sinking Fund Debt** | | | | |
| 2006-2036 | July 17 | 5.200 | 183/2004 & 72/2006 | $ 60,000,000 |
| 2008-2036 | July 17 | 5.200 | 72/2006 & 32/2007 | 100,000,000 |
| 2010-2041 | June 3 | 5.150 | 183/2008 | 60,000,000 |
| 2014-2045 | June 1 | 4.100 | 144/11 & 23/13 & 149/13 | 60,000,000 |
| 2014-2045 | June 1 | 3.713 | 100/12 & 23/13 & 149/13 | 60,000,000 |
| 2015-2045 | June 1 | 3.828 | 144/11, 100/12, 23/13, 149/13, 5/15, 61/15 | 60,000,000 |
| 2016-2045 | June 1 | 3.303 | 72/06, 23/13, 149/13, 5/15, 96/15, 40/16 | 80,000,000 |
| 2011-2051 | Nov. 15 | 4.300 | 72/06 & 183/08 & 150/09 | 50,000,000 |
| 2012-2051 | Nov. 15 | 3.853 | 93/2011 | 50,000,000 |
| 2012-2051 | Nov. 15 | 3.759 | 120/09 & 93/11 & 138/11 | 75,000,000 |
| 2013-2051 | Nov. 15 | 4.391 | 93/2011 & 84/2013 | 60,000,000 |
| 2014-2051 | Nov. 15 | 3.893 | 93/2011 & 145/2013 | 52,568,000 |
| | | | | 767,568,000 |
| **Serial Debt** | | | | |
| 2009-2019 | Oct. 6 | 4.500 | 46/2007 & 31/2009 | 9,696,000 |
| **Total Debt** | | | | $ 777,264,000 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

*As at December 31, 2017*
*(unaudited)*

| | Debenture Debt | | |
|---|---|---|---|
| **Description** | **Gross** | **Sinking Fund** | **Net** |
| **Tax-Supported** | | | |
| General | $ 336,763,387 | $ 14,315,534 | $ 322,447,853 |
| **Other Funds** | | | |
| Transit System | 93,519,000 | 9,626,003 | 83,892,997 |
| Municipal Accommodations | 61,344,568 | 3,065,210 | 58,279,358 |
| Total Tax-Supported and Other Funds | 491,626,955 | 27,006,747 | 464,620,208 |
| **City-Owned Utilities** | | | |
| Waterworks System | 160,000,000 | 34,317,547 | 125,682,453 |
| Sewage Disposal System | 24,000,000 | 463,695 | 23,536,305 |
| Solid Waste Disposal | 8,637,045 | 166,873 | 8,470,172 |
| Total City-Owned Utilities | 192,637,045 | 34,948,115 | 157,688,930 |
| **Reserves** | | | |
| Destination Marketing | 41,000,000 | 1,844,973 | 39,155,027 |
| Local Street Renewal | 27,000,000 | 1,220,100 | 25,779,900 |
| Regional Street Renewal | 25,000,000 | 937,800 | 24,062,200 |
| Total Reserves | 93,000,000 | 4,002,873 | 88,997,127 |
| | $ 777,264,000 | $ 65,957,735 | $ 711,306,265 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE (continued)
*As at December 31, 2017*
*(unaudited)*

| Description | 2018 Fixed Annual Charges Interest | Principal | Total |
|---|---|---|---|
| **Tax-Supported** | $ 13,129,129 | $ 8,498,124 | $ 21,627,253 |
| **Other Funds** | | | |
| Transit System | 4,513,625 | 1,338,887 | 5,852,512 |
| Municipal Accommodations | 2,395,855 | 1,085,132 | 3,480,987 |
| Total Tax-Supported and Other Funds | 20,038,609 | 10,922,143 | 30,960,752 |
| **City-Owned Utilities** | | | |
| Waterworks System | 8,320,000 | 2,836,000 | 11,156,000 |
| Sewage Disposal System | 792,720 | 453,118 | 1,245,838 |
| Solid Waste Disposal | 285,282 | 163,067 | 448,349 |
| Total City-Owned Utilities | 9,398,002 | 3,452,185 | 12,850,187 |
| **Reserves** | | | |
| Destination Marketing | 1,536,857 | 645,158 | 2,182,015 |
| Local Street Renewal | 1,044,010 | 426,098 | 1,470,108 |
| Regional Street Renewal | 919,250 | 412,750 | 1,332,000 |
| Total Reserves | 3,500,117 | 1,484,006 | 4,984,123 |
| | $ 32,936,728 | $ 15,858,334 | $ 48,795,062 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT CHANGES DURING 2017
*(unaudited)*

| | | | |
|---|---|---|---|
| **Gross Debt as at January 1, 2017** | | | $ 812,112,000 |
| **Debt Issued During 2017** | | | - |
| **Sub-total** | | | 812,112,000 |
| **Debt Retired During 2017** | | | |
| ***Tax-Supported Debt:*** | | | |
| Assessment - Special Projects | 98,052 | | |
| Business Liaison - Special Projects | 310 | | |
| Community Improvement Program | 77,450 | | |
| Community Services - Special Projects | 26,550 | | |
| Core Area Programs | 1,000,000 | | |
| Corporate Finance - Special Projects | 5,576 | | |
| Fire | 1,825,001 | | |
| Infrastructure | 130,116 | | |
| Infrastructure - Land Drainage | 88,065 | | |
| Infrastructure - Parks and Recreation | 19,335 | | |
| Infrastructure - Streets and Bridges | 1,723,900 | | |
| Land Drainage | 5,265,109 | | |
| Land and Development - Special Projects | 146,659 | | |
| Libraries | 43,328 | | |
| Parks and Recreation | 284,764 | | |
| Parks and Recreation - Special Projects | 75,281 | | |
| Police | 188,009 | | |
| Special Projects | 40,000 | | |
| Streets and Bridges System | 23,150,291 | | |
| Winnipeg Development Agreement | 123,920 | 34,311,716 | |
| ***Utilities Debt:*** | | | |
| Transit System | 75,000 | | |
| Municipal Accommodations | 461,284 | 536,284 | (34,848,000) |
| **Gross Debt as at December 31, 2017** | | | $ 777,264,000 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT - MATURITY BY YEARS
*As at December 31, 2017*
*(unaudited)*

| Maturity Year | Sinking Fund Debt | Serial and Installment Debt | Total | % |
|---|---|---|---|---|
| 2018 | $ - | $ 4,848,000 | $ 4,848,000 | 0.62 |
| 2019 | - | 4,848,000 | 4,848,000 | 0.62 |
| 2036 | 160,000,000 | - | 160,000,000 | 20.59 |
| 2041 | 60,000,000 | - | 60,000,000 | 7.72 |
| 2045 | 260,000,000 | - | 260,000,000 | 33.45 |
| 2051 | 287,568,000 | - | 287,568,000 | 37.00 |
| Gross Debt | $ 767,568,000 | $ 9,696,000 | 777,264,000 | 100.00 |
| Less: Sinking Fund Reserve | | | 65,957,735 | |
| Net Debt | | | $ 711,306,265 | |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES
*As at December 31, 2017*
*(unaudited)*

| Maturity Year | General Tax-Supported | Transit System | Waterworks System | Sewage Disposal | Sold Waste Disposal | Municipal Accommodations | Reserves | Total |
|---|---|---|---|---|---|---|---|---|
| 2018 | $ 4,311,716 | $ 75,000 | $ - | $ - | $ - | $ 461,284 | $ - | $ 4,848,000 |
| 2019 | 4,311,716 | 75,000 | - | - | - | 461,284 | - | 4,848,000 |
| 2036 | - | - | 160,000,000 | - | - | - | - | 160,000,000 |
| 2041 | - | 60,000,000 | - | - | - | - | - | 60,000,000 |
| 2045 | 127,743,955 | 3,619,000 | - | 24,000,000 | 8,637,045 | 3,000,000 | 93,000,000 | 260,000,000 |
| 2051 | 200,396,000 | 29,750,000 | - | - | - | 57,422,000 | - | 287,568,000 |
| | $ 336,763,387 | $ 93,519,000 | $ 160,000,000 | $ 24,000,000 | $ 8,637,045 | $ 61,344,568 | $ 93,000,000 | $ 777,264,000 |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT
*For the years ending December 31*
*(unaudited)*

| | Tax-Supported | | | Utilities (Includes Transit System and Municipal Accommodations) | | | Reserve Funds | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Sub-total** | **Principal** | **Interest** | **Sub-total** | **Principal** | **Interest** | **Sub-total** | **Total** |
| 2018 | $ 8,498,124 | $ 13,129,129 | $ 21,627,253 | $ 5,876,204 | $ 16,307,482 | $ 22,183,686 | $ 1,484,006 | $ 3,500,117 | $ 4,984,123 | $ 48,795,062 |
| 2019 | 8,498,125 | 12,941,693 | 21,439,818 | 5,876,203 | 16,284,170 | 22,160,373 | 1,484,006 | 3,500,117 | 4,984,123 | 48,584,314 |
| 2020-2036 | 71,168,950 | 217,487,497 | 288,656,447 | 90,778,637 | 276,517,288 | 367,295,925 | 25,228,092 | 59,501,983 | 84,730,075 | 740,682,447 |
| 2037-2041 | 20,932,043 | 63,966,910 | 84,898,953 | 12,519,597 | 39,728,620 | 52,248,217 | 7,420,024 | 17,500,585 | 24,920,609 | 162,067,779 |
| 2042-2045 | 16,745,634 | 51,173,528 | 67,919,162 | 6,309,250 | 19,422,896 | 25,732,146 | 5,936,020 | 14,000,468 | 19,936,488 | 113,587,796 |
| 2046-2051 | 12,287,961 | 47,987,256 | 60,275,217 | 5,115,789 | 21,146,082 | 26,261,871 | - | - | - | 86,537,088 |
| | $ 138,130,837 | $ 406,686,013 | $ 544,816,850 | $ 126,475,680 | $ 389,406,538 | $ 515,882,218 | 41,552,148 | $ 98,003,270 | $ 139,555,418 | $ 1,200,254,486 |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

*As at December 31, 2017*
*(unaudited)*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2018 Interest | Annual Charges 2018 Principal | Sinking Fund Reserve at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| ***STREETS AND BRIDGE SYSTEM*** | | | | | | | | |
| **(street improvements, street lighting, bridges and underpasses)** | | | | | | | | |
| 46/2007 & 31/2009 | $ 4,900,581 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | $ 190,800 | $ 2,450,291 | $ - |
| 144/11 & 149/13 | 37,855,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 4.100 | 1,552,055 | 584,611 | 1,882,101 |
| 23/13 & 149/13 | 10,871,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 3.713 | 403,640 | 167,886 | 540,492 |
| 144/11 & 5/15 | 8,150,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 311,982 | 133,591 | 280,368 |
| 5/2015 & 40/2016 | 19,891,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 657,000 | 375,541 | 384,307 |
| 150/2009 | 18,700,000 | Nov. 15, 2011-2051 | CAN | 4.500 | 4.300 | 804,100 | 174,717 | 1,180,210 |
| 120/2009 | 25,000,000 | Nov. 15, 2012-2051 | CAN | 4.500 | 3.759 | 939,750 | 246,392 | 1,355,582 |
| | 125,367,581 | | | | | 4,859,327 | 4,133,029 | 5,623,060 |
| ***LAND DRAINAGE*** | | | | | | | | |
| **(storm water relief sewers, drainage sewers and flood control)** | | | | | | | | |
| 46/2007 & 31/2009 | 730,217 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 28,430 | 365,109 | - |
| ***PARKS AND RECREATION*** | | | | | | | | |
| 46/2007 & 31/2009 | 569,529 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 22,174 | 284,764 | - |
| ***LIBRARIES*** | | | | | | | | |
| 46/2007 & 31/2009 | 86,655 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 3,374 | 43,328 | - |
| 23&149/13, 5/15, 40/16 | 13,759,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 454,460 | 259,769 | 265,833 |
| | 13,845,655 | | | | | 457,834 | 303,097 | 265,833 |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
*As at December 31, 2017*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2018 Interest | Annual Charges 2018 Principal | Sinking Fund Reserve at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| ***FIRE*** | | | | | | | | |
| 46/2007 & 31/2009 | 50,002 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 1,947 | 25,001 | - |
| 5/2015 | 808,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 30,930 | 13,244 | 27,796 |
| 5/2015 & 40/2016 | 1,109,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 36,630 | 20,938 | 21,426 |
| | 1,967,002 | | | | | 69,507 | 59,183 | 49,222 |
| ***POLICE*** | | | | | | | | |
| 46/2007 & 31/2009 | 376,019 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 14,640 | 188,009 | - |
| 93/2011 | 50,000,000 | Nov. 15, 2012-2051 | CAN | 4.500 | 3.853 | 1,926,500 | 492,783 | 2,711,165 |
| 93/2011 | 8,586,000 | Nov. 15, 2012-2051 | CAN | 4.500 | 3.759 | 322,748 | 84,621 | 465,561 |
| 93/2011 | 43,992,000 | Nov. 15, 2013-2051 | CAN | 4.500 | 4.391 | 1,891,656 | 457,591 | 1,968,765 |
| 93/11 & 145/13 | 52,568,000 | Nov. 15, 2014-2051 | CAN | 4.500 | 3.893 | 2,046,472 | 577,408 | 1,821,616 |
| | 155,522,019 | | | | | 6,202,016 | 1,800,412 | 6,967,107 |
| ***SPECIAL PROJECTS*** | | | | | | | | |
| 46/2007 & 31/2009 | 80,000 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 3,115 | 40,000 | - |
| ***INFRASTRUCTURE*** | | | | | | | | |
| 46/2007 & 31/2009 | 260,232 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 10,132 | 130,116 | - |
| ***INFRASTRUCTURE - LAND DRAINAGE*** | | | | | | | | |
| 46/2007 & 31/2009 | 176,130 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 6,858 | 88,065 | - |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
*As at December 31, 2017*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2018 Interest | Annual Charges 2018 Principal | Sinking Fund Reserve at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| ***INFRASTRUCTURE - PARKS AND RECREATION*** | | | | | | | | |
| 46/2007 & 31/2009 | 38,670 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 1,506 | 19,335 | - |
| ***INFRASTRUCTURE - STREETS AND BRIDGES*** | | | | | | | | |
| 46/2007 & 31/2009 | 247,800 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 9,649 | 123,900 | - |
| ***COMMUNITY IMPROVEMENT PROGRAM*** | | | | | | | | |
| 46/2007 & 31/2009 | 154,900 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 6,031 | 77,450 | - |
| ***ASSINIBOINE PARK - COMMUNITY SERVICES*** | | | | | | | | |
| 23/13 & 149/13 | 11,626,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 4.100 | 476,666 | 179,546 | 578,030 |
| 96/2015 | 2,000,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 66,060 | 37,760 | 38,641 |
| | 13,626,000 | | | | | 542,726 | 217,306 | 616,671 |
| ***LOCAL IMPROVEMENTS*** | | | | | | | | |
| 149/2013 | 519,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 4.100 | 21,279 | 8,015 | 25,804 |
| 149/2013 | 761,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 3.713 | 28,256 | 11,752 | 37,836 |
| 149/13 & 5/15 | 1,791,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 68,559 | 29,357 | 61,612 |
| 72/06, 5/15, 40/16 | 4,603,955 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 152,069 | 86,922 | 88,951 |
| 72/2006 | 1,550,000 | Nov. 15, 2011-2051 | CAN | 4.500 | 4.300 | 66,650 | 14,482 | 97,825 |
| | 9,224,955 | | | | | 336,813 | 150,528 | 312,028 |
| ***WINNIPEG DEVELOPMENT AGREEMENT*** | | | | | | | | |
| 46/2007 & 31/2009 | 247,840 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 9,649 | 123,920 | - |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
*As at December 31, 2017*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2018 Interest | Annual Charges 2018 Principal | Sinking Fund Reserve at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| ***SPECIAL PROJECTS - PARKS AND RECREATION*** | | | | | | | | |
| 46/2007 & 31/2009 | 150,563 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 5,862 | 75,281 | - |
| ***SPECIAL PROJECTS - COMMUNITY SERVICES*** | | | | | | | | |
| 46/2007 & 31/2009 | 53,100 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 2,067 | 26,550 | - |
| 61/2015 | 14,000,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 535,920 | 229,482 | 481,613 |
| | 14,053,100 | | | | | 537,987 | 256,032 | 481,613 |
| ***SPECIAL PROJECTS - LAND AND DEVELOPMENT*** | | | | | | | | |
| 46/2007 & 31/2009 | 293,319 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 11,420 | 146,659 | - |
| ***SPECIAL PROJECTS - ASSESSMENT*** | | | | | | | | |
| 46/2007 & 31/2009 | 196,103 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 7,635 | 98,052 | - |
| ***SPECIAL PROJECTS - CORPORATE FINANCE*** | | | | | | | | |
| 46/2007 & 31/2009 | 11,153 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 434 | 5,576 | - |
| ***SPECIAL PROJECTS - BUSINESS LIAISON*** | | | | | | | | |
| 46/2007 & 31/2009 | 619 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 24 | 310 | - |
| **Tax-Supported Total** | **336,763,387** | | | | | **13,129,129** | **8,498,124** | **14,315,534** |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE
*As at December 31, 2017*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2018 Interest | Annual Charges 2018 Principal | Sinking Fund Reserve at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| ***TRANSIT SYSTEM*** | | | | | | | | |
| 46/2007 & 31/2009 | 150,000 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 5,840 | 75,000 | - |
| 183/2008 | 60,000,000 | June 3, 2010-2041 | CAN | 4.500 | 5.150 | 3,090,000 | 926,607 | 7,623,900 |
| 23/2013 | 3,619,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 138,535 | 59,321 | 124,497 |
| 183/2008 | 29,750,000 | Nov. 15, 2011-2051 | CAN | 4.500 | 4.300 | 1,279,250 | 277,959 | 1,877,606 |
| | 93,519,000 | | | | | 4,513,625 | 1,338,887 | 9,626,003 |
| ***WATERWORKS SYSTEM*** | | | | | | | | |
| 183/04 & 72/06 | 60,000,000 | July 17, 2006-2036 | CAN | 4.500 | 5.200 | 3,120,000 | 984,000 | 13,900,137 |
| 72/06 & 32/07 | 100,000,000 | July 17, 2008-2036 | CAN | 4.500 | 5.200 | 5,200,000 | 1,852,000 | 20,417,410 |
| | 160,000,000 | | | | | 8,320,000 | 2,836,000 | 34,317,547 |
| ***SEWAGE DISPOSAL SYSTEM*** | | | | | | | | |
| 5/2015 | 24,000,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 792,720 | 453,118 | 463,695 |
| ***SOLID WASTE DISPOSAL*** | | | | | | | | |
| 23/13, 149/13, 5/15, 40/16 | 8,637,045 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 285,282 | 163,067 | 166,873 |
| ***MUNICIPAL ACCOMMODATIONS*** | | | | | | | | |
| 46/2007 & 31/2009 | 922,568 | Oct. 6, 2009-2019 | CAN | Serial | 4.500 | 35,919 | 461,284 | - |
| 23/2013 | 3,000,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 114,840 | 49,175 | 103,203 |
| 138/2011 | 41,414,000 | Nov. 15, 2012-2051 | CAN | 4.500 | 3.759 | 1,556,752 | 408,163 | 2,245,604 |
| 84/2013 | 16,008,000 | Nov. 15, 2013-2051 | CAN | 4.500 | 4.391 | 688,344 | 166,510 | 716,403 |
| | 61,344,568 | | | | | 2,395,855 | 1,085,132 | 3,065,210 |
| **Utility Total** | **347,500,613** | | | | | **16,307,482** | **5,876,204** | **47,639,328** |

## THE CITY OF WINNIPEG
## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### CITY-OWNED RESERVE FUNDS DEBENTURE DEBT BY PURPOSE
*As at December 31, 2017*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2018 Interest | Annual Charges 2018 Principal | Sinking Fund Reserve at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| ***DESTINATION MARKETING RESERVE*** | | | | | | | | |
| 100/2012 | 28,368,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 3.713 | 1,053,304 | 438,100 | 1,410,420 |
| 100/2012 | 12,632,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 483,553 | 207,058 | 434,553 |
| | 41,000,000 | | | | | 1,536,857 | 645,158 | 1,844,973 |
| ***LOCAL STREETS RENEWAL RESERVE*** | | | | | | | | |
| 23/2013 | 10,000,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 4.100 | 410,000 | 154,435 | 497,187 |
| 149/2013 | 10,000,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 3.713 | 371,300 | 154,434 | 497,186 |
| 5/2015 | 6,000,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 229,680 | 98,349 | 206,406 |
| 40/2016 | 1,000,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 33,030 | 18,880 | 19,321 |
| | 27,000,000 | | | | | 1,044,010 | 426,098 | 1,220,100 |
| ***REGIONAL STREETS RENEWAL RESERVE*** | | | | | | | | |
| 149/2013 | 10,000,000 | Jun. 1, 2014-2045 | CAN | 4.500 | 3.713 | 371,300 | 154,435 | 497,187 |
| 5/2015 | 10,000,000 | Jun. 1, 2015-2045 | CAN | 4.500 | 3.828 | 382,800 | 163,915 | 344,010 |
| 40/2016 | 5,000,000 | Jun. 1, 2016-2045 | CAN | 4.000 | 3.303 | 165,150 | 94,400 | 96,603 |
| | 25,000,000 | | | | | 919,250 | 412,750 | 937,800 |
| **Reserve Funds Total** | **93,000,000** | | | | | **3,500,117** | **1,484,006** | **4,002,873** |
| **Grand Total** | **$ 777,264,000** | | | | | **$ 32,936,728** | **$ 15,858,334** | **$ 65,957,735** |

Note: With passing of the new City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.

Winnipeg

510 Main Street | Winnipeg | Manitoba | Canada | R3B 1B9 | winnipeg.ca